NEIGHBORHOOD COMMERCIAL REZONING STUDY

ECONOMIC ASSESSMENT AND IMPACT METHODOLOGY

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NEIGHBORHOOD COMMERCIAL REZONING STUDY

ECONOMIC ASSESSMENT AND IMPACT METHODOLOGY

For:

San Francisco Department of City Planning

By:

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February 1983

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CHAPTER I
EXECUTIVE SUMMARY

A. PURPOSE AND SCOPE

The San Francisco Department of City Planning is currently conducting a Neighborhood Commercial Rezoning Study. This study is providing a comprehensive citywide review of all neighborhood commercial district zoning classifications. In January 1983 the Department published its recommendations to update, clarify, and reformat existing neighborhood commercial district zoning categories, controls, and procedures into Article 7, a new section of the Planning Code. In the next phases of the Neighborhood Commercial Rezoning Study the Department will review and consider recommendations to establish other individual neighborhood commercial district classifications with permanent boundaries and controls.

As a part of the neighborhood commercial rezoning study, Recht Hausrath & Associates was hired to address the economic implications of the proposed rezoning. The economic study has two primary objectives:

- To assess the economic impacts of the proposed revision of the zoning framework, Article 7; and
- To develop a practical methodology for assessing the potential economic impacts of proposed zoning controls for individual neighborhood commercial districts.

This report presents the results of the economic analysis done to meet these objectives.

B. ECONOMIC IMPACT PERSPECTIVE

1. Impacts As Differences

Economic analysis is done to identify the possible differences in neighborhood commercial district activity because of rezoning. Economic impacts arise because of the differences in outcome attributable to the changes in zoning. Changes in neighborhood commercial districts which would also occur under existing zoning policy are not impacts of the rezoning.

2. District and Citywide Perspectives

There are two perspectives for considering potential economic impacts. One is the perspective of the neighborhood commercial district directly affected by changes in zoning. A second perspective is that of citywide commercial activity. Changes in zoning in one district could result in shifts in commercial activity among districts and in a different overall pattern or level of citywide commercial activity.

3. Different Interests In The Community

Once identified, economic impacts can be described in terms of how different interests in the community would be affected. These interests could include consumers, merchants, property owners, labor force members, neighborhood residents, residents citywide, and government agencies. Within these groups there could be differences in effects such as between existing merchants and new merchants, merchants of different types (restauranteurs, booksellers, realtors), property owners and renters, or neighborhood residents and other city residents. When examined from each of these different perspectives, an economic impact can often be viewed as beneficial by some interests in the community and as undesirable by others.

4. Impacts Cannot Be Quantified

There are a large number of neighborhood commercial districts in San Francisco and, to a certain extent, each is unique and serves a different function. Yet, there is also a relationship between commercial districts in that changes in one district can affect activity in other districts. The result is a highly complex, dynamic system of providing goods and services to the city's residents and to other consumers.

Because of the complexities, it is not possible to generalize about all commercial districts nor to quantitatively describe and accurately model commercial activity for all of these areas. Instead, the more workable approach is to draw from an understanding of how commercial districts develop and function in describing qualitatively how and why certain types of impacts could occur as a result of the changes embodied in a proposed rezoning.

C. ARTICLE 7 AND INDIVIDUAL DISTRICTS

The potential impacts of the proposed Article 7 are considered separately from the potential impacts associated with changes in the controls for individual districts. The types of potential economic impacts differ depending on whether there is a change in format and procedures or a change in district controls. Further, the format and procedures of Article 7 could be adopted without changes in district controls. Similarly changes in controls could occur in neighborhood commercial districts without the adoption of Article 7.

For economic analysis, the relevance of Article 7 is in the new system it creates to allow the standard neighborhood commercial classifications to be supplemented with individual districts, each having its own controls, without necessitating complicated special use overlay districts. In addition, Article 7 provides new zoning procedures for changing the controls or the boundaries of districts and for conditional use review.

The relevance of individual district controls is in whether those to be proposed and adopted for a neighborhood commercial district would represent a change from the existing zoning or merely reflect the existing controls expressed in the new framework.

D. IMPACT OF PROPOSED ARTICLE 7

When evaluating a new zoning framework from an economic perspective, it is important to consider the changes that the proposal would make in the certainty and predictability of zoning rules and outcomes, and in the time and cost of the process and procedures which implement the system on an ongoing basis.

When evaluated from this perspective, it was concluded that the proposed Article 7 does not change the present system as it now operates as much as it formalizes that system through a new Planning Code format and with some more regularized and permanent procedures within which the present process can continue to operate. In other words, Article 7 would formalize the current permanent and interim processes into a permanent, more regularized system.

1. Translation Into The New Format

The proposed translation of the existing, permanent neighborhood commercial districts and controls (C-1, C-2, R-C, C-M, and Union Street) into the new format of Article 7 would not generate significant economic impacts since no major changes are proposed. Once the initial confusion of a new system has settled, having one section of the code with a comprehensive listing of neighborhood commercial districts, procedures and controls could clarify the present situation and reduce uncertainty.

2. Amendment Procedures

The adoption of the proposed neighborhood commercial district amendment procedures for map and text changes would potentially provide greater ability for local groups to make application to establish new districts or to change controls or boundaries for existing districts. However, these applications would still require action by the City Planning Commission or the Board of Supervisors to become effective. The eventual number of districts, the permanence of controls and boundaries, and the importance of neighborhood interests (residents, merchants, property owners) in the setting of zoning controls all raise issues to be considered from an economic perspective. Yet, when one considers the combination of moratoria, special use district overlays, and standardized classifications that now exist and the current procedures for making changes in controls, the proposed Article 7 does not appear to effectively change the system as it currently operates or could operate if Article 7 were not adopted. While there may be economic implications, they would not result primarily from the rezoning.

3. Conditional Use Review

The adoption of Article 7 would also include new neighborhood commercial conditional use procedures with standards for evaluating applications and with procedures for controlling the time involved in the review process. Potentially these changes could increase predictability and reduce processing time in comparison with the present situation. The result would also depend, however, on whether conditional use were designated more or less often under the amendment procedures of Article 7.

E. METHODOLOGY FOR EVALUATING CHANGES IN DISTRICT CONTROLS

This report presents a methodology for assessing the economic impacts of changes in zoning controls for an individual neighborhood commercial district. The methodology is presented in two parts.

The first part is a conceptual methodology which describes the potential economic implications of possible changes in controls of various types. The discussion explains how to evaluate economic impacts. It also identifies the economic impacts which could arise from changes in controls of various types. A summary of the potential economic impacts of changes in zoning controls is presented in Appendix D.

The second part is a practical methodology for assessing the economic impacts of a specific set of controls proposed for a neighborhood commercial district. Worksheets have been devised for first identifying the changes in controls that are proposed and for then evaluating various land use and economic market conditions of an individual district to identify if economic impacts are likely to occur. The worksheets include descriptions of the types of effects expected. The methodology also includes procedures for considering shifts in commercial activity among districts and overall citywide cumulative impacts. The results from the use of the methodology are qualitative conclusions as to whether impacts of various types are likely to occur and as to their potential significance.

CHAPTER II
INTRODUCTION

A. PROPOSED ARTICLE 7 - A SUMMARY

The San Francisco Department of City Planning's Neighborhood Commercial Rezoning Study is a comprehensive citywide review of all neighborhood commercial district classifications. In January 1983 the Department published its recommendation to update, clarify and reformat all neighborhood commercial district classifications into Article 7, a new section of the Planning Code.

That report, Neighborhood Commercial Rezoning Study: Proposed Article of the Planning Code for Neighborhood Commercial Districts, presents and explains the proposed updating, clarifying and reformating of existing neighborhood commercial district categories, controls and procedures into the new Article 7. The proposed Article 7 now includes only permanent neighborhood commercial use districts, including the RC-1, RC-2, RC-3, RC-4, C-1, C-2, C-M, and Union Street districts. The zoning controls for these districts appear in Sections 707-714 (see Appendix A).

In the following phases of the Neighborhood Commercial Rezoning Study the Department will review and consider recommendations for permanent boundaries and controls establishing other individual neighborhood commercial district classifications. These recommendations will be published in the form of a Boundaries and Controls Report, accompanied by environmental evaluation and economic assessment of each proposal.

B. PURPOSE OF THE ECONOMIC STUDY

As a part of the neighborhood commercial rezoning study effort, Recht Hausrath & Associates (RHA) was hired to address the economic implications of the proposed new system. The primary objectives of the economic study are to:

- Identify the potential economic impacts of Article 7, the proposed revision of the zoning framework for the city's neighborhood commercial districts; and
- Develop a practical methodology to assess the potential economic impacts of proposed zoning control changes for individual neighborhood commercial districts.

This report presents the results of the economic analysis done to meet the above objectives.

C. STUDY APPROACH

The impact analysis summarized in this report does not evaluate specific rezoning proposals for individual districts. Rather, it provides a generalized economic impact analysis of the proposed revision in zoning procedures and controls. The analysis draws from economic theory and practical experience to describe the types of economic impacts which could arise in individual districts and citywide, identifying those procedures and controls which could have the most significant effects. It also identifies the commercial market, land use, and zoning factors which determine whether economic impacts would occur in individual districts as a result of possible changes in zoning.

This study also presents a methodology for evaluating the potential economic impacts of proposed changes in zoning controls in individual neighborhood districts. This methodology will be applied and refined once boundaries and controls are proposed for individual districts. The challenge was to develop a methodology which is credible and defensible as well as practical and workable. The result is an approach which first focuses on whether the proposed controls represent a change in zoning and then considers various characteristics of individual commercial districts in evaluating the likelihood that various types of economic impacts would arise.

D. ORGANIZATION OF THIS REPORT

Before discussing economic impacts, the next chapter highlights trends in sales, employment, and business establishments in San Francisco and in the city's neighborhood commercial districts. The purpose is to provide an economic or "market" context. The effect of zoning policy results from its interaction with these market factors.

Then, Chapters IV, V and VI present the overview assessment of the proposed zoning framework and controls explaining the perspective for economic analysis and providing the reasoning behind the generalized conclusions reached. These chapters also provide the basis for the methodology for considering impacts for individual commercial districts that is presented in Chapter VII. This last chapter presents the procedures for assessing economic impacts once specific controls are proposed for individual commercial districts.

This report does not include a detailed description of the proposed Article 7. Appendix A presents a summary of the proposed zoning controls for the permanent neighborhood commercial districts. For more detail on the proposed Article 7 zoning categories, controls and procedures, the reader is referred to the Department of City Planning's January 1983 report entitled Neighborhood Commercial Rezoning Study: Proposed Article of the Planning Code For Neighborhood Commercial Districts.

CHAPTER III

ECONOMIC MARKET CONTEXT FOR CONSIDERING NEIGHBORHOOD COMMERCIAL DISTRICTS

Consideration of retail shopping patterns in San Francisco and of recent trends in commercial activity provides background for considering the effects of new zoning policy. It also adds explanation for the changes in commercial activity which have recently occurred in many neighborhood commercial districts. The proposed rezoning responds to some of these changes.

A. RETAIL ACTIVITY IN THE CITY

1. Current Activity

In 1980, sales in retail stores in San Francisco were $3.6 billion. An additional $1.8 billion in sales occurred in establishments other than retail stores.*

Retail sales by type of store are shown in Table 1 for 1980. The categories with the largest sales are food and liquor stores (about 21 percent of total), specialty goods stores (about 21 percent), and restaurants and bars (about 18 percent).

Figures for the city which identify the percentage of total retail sales from stores of various types can be compared with similar figures for the state as a whole in Table 1. This comparison highlights the greater relative importance in San Francisco of sales in apparel and specialty

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*Includes taxable sales in non-store retailers (mail order, vending machines, street merchants); hotels, motels, and boarding houses; repair and trade shops; personal service, business service, and amusement establishments; construction contractors; and producers and wholesalers.

TABLE 1

1980 RETAIL SALES BY TYPE OF STORE CITY OF SAN FRANCISCO

TYPE OF BUSINESS	1980 SALES	CATEGORIES AS PERCENT OF TOTAL RETAIL SALES	
		SAN FRANCISCO	CALIFORNIA
	(Millions 1980 $)	%	%
Apparel	307	8.5	4.0
General Merchandise	355	9.8	10.5
Drug[1]	100	2.7	3.1
Specialty[2]	751	20.7	7.9
Food & Liquor[1]	755	20.8	27.1
Eating & Drinking	640	17.6	9.7
Auto & Service Stations	442	12.2	26.8
All Other[3]	281	7.7	10.9
TOTAL RETAIL STORES	$3,631	100%	100%

[1] Taxable sales for these stores were adjusted to include non-taxable sales not tabulated by the Board of Equalization. Estimates include 150% of taxable sales in drug stores and 300% of taxable sales in food and liquor stores.

[2] Includes stores selling gifts, jewelry, art, sporting goods, stationery, books, photographic supplies, musical instruments, novelties, and other specialties.

[3] Includes stores selling household furniture and appliances, second hand merchandise, farm and garden supply, fuel and ice dealers, and building materials.

SOURCE: California State Board of Equalization.

stores and in restaurants and bars. Sales in these three categories represented about 47 percent of total city retail sales in 1980. For the state overall, sales of these types represented 22 percent or a much smaller share of the total.

This pattern is further described by the per capita retail sales figures in Table 2. Per capita sales represent the ratio of total recorded sales divided by population; they do not indicate that all of the sales dollars are spent by residents.

The figures in Table 2 show that eating and drinking sales in the city were twice as high on a per population basis than the statewide averages, that apparel sales were over two times as large, and that city per capita sales in specialty shops were nearly three times greater than the state figures. These differences are explained largely by the spending of non-residents in San Francisco. The three sales categories mentioned are those which are most likely to include the spending of tourists, of those who work in the city and live outside of San Francisco, and of those Bay Area residents who come to the city to shop or for the arts and entertainment. The spending of these groups appears to be significant.

The high per capita figures for these categories could also indicate that city residents have different shopping patterns than Californians overall. Lower per capita sales in food and liquor stores and higher sales for restaurants and bars could mean that San Franciscans eat out more often than most people in California. This makes sense given the demographic make-up of the city. Lower per capita spending in San Francisco also occurs for auto and service station sales and for all other categories.

TABLE 2

1980 PER CAPITA RETAIL SALES FOR SAN FRANCISCO AND CALIFORNIA

TYPE OF BUSINESS	PER CAPITA RETAIL SALES	
	SAN FRANCISCO	CALIFORNIA
	$	$
Apparel	452	198
General Merchandise	523	515
Drug	148	155
Specialty	1,106	388
Food & Liquor	1,112	1,333
Eating & Drinking	943	478
Auto & Service Stations	651	1,316
All Other	414	538
TOTAL RETAIL	$5,349	$4,921

Note: Taxable sales were adjusted to include non-taxable sales as described in Table 1.

SOURCE: California State Board of Equalization sales divided by 1980 Census of Population figures.

2. Recent Trends In Retail Activity

Trends in retail activity in the city are identified by changes in sales, employment, and number of establishments. Tables 3, 4, and 5 summarize the changes in each of these factors over the period 1970 to 1979. At the time of the analysis the year 1979 was the most recent year for which data on all three factors were available.

TABLE 3

SAN FRANCISCO RETAIL SALES TRENDS
1970-1979

TYPE OF BUSINESS	CHANGE 1970-1979 (Over and Above Inflation)	
	SALES (Millions 1980 Dollars)	PERCENTAGE CHANGE
Apparel	+87	+39.8%
General Merchandise	-98	-21.5%
Drug	+13	+13.9%
Specialty	+193	+36.2%
Food & Liquor	-294	-27.4%
Eating & Drinking	+125	+24.4%
Auto & Service Stations	+93	+25.1%
All Other	+55	+25.1%
TOTAL RETAIL	$+174	+4.5%

Note: Current dollar sales were converted to constant 1980 dollars using consumer price indices for San Francisco-Oakland by expenditure category and commodity and service group (from U.S. Department of Labor Bureau of Labor Statistics, CPI Detailed Reports). Taxable sales were adjusted to include non-taxable sales as described in Table 1. The following indices were used:

Apparel sales: apparel
Food & Liquor: food at home
Eating & Drinking: food away from home
General Merchandise, Drug, Specialty, and All Others: consumer durables
Auto & Service Stations: private transportation

The trends indicated by the figures in this table are more accurate than the individual figures because of difficulties in establishing the rate of inflation for each category. The overall CPI was not used because it is heavily influenced by housing and energy price increases.

SOURCE: Recht Hausrath & Associates Estimates.

TABLE 4

SAN FRANCISCO RETAIL EMPLOYMENT TRENDS 1970-1979

TYPE OF BUSINESS	1979 EMPLOYMENT	CHANGE 1970-1979	
		# JOBS	% CHANGE
Apparel	4,696	-926	-16.5%
General Merchandise	5,680	-2,934	-34.1%
Drug	1,418	-531	-27.2%
Specialty	4,865	+1,644	+51.0%
Food & Liquor	8,180	+1,896	+30.2%
Eating & Drinking	25,627	+7,335	+40.1%
Auto & Service Station	4,228	-1,492	-26.1%
All Other	4,850	+709	+17.1%
TOTAL RETAIL	59,544	+5,701	+10.6%

SOURCE: U.S. Department of Commerce, County Business Patterns.

TABLE 5

SAN FRANCISCO RETAIL TRENDS: NUMBER AND SIZE OF ESTABLISHMENTS 1970-1979

TYPE OF BUSINESS	1979 NUMBER ESTABLISHMENTS	CHANGE 1970-1979		AVERAGE EMPLOYEES PER ESTABLISHMENT	
		# ESTABLISHMENT	% CHANGE	1970	1979
Apparel	544	+154	+39.5%	14.4	8.6
General Merchandise	93	-74	-44.3%	30.0	28.3
Drug	158	-27	-14.6%		
Specialty	727	+286	+64.9%	7.3	6.7
Food & Liquor	895	+60	+7.2%	7.5	9.1
Eating & Drinking	1,915	+247	+14.8%	11.0	13.4
Auto & Service Station	395	-60	-13.2%	17.1	10.7
All Other	671	+148	+28.3%	7.9	7.2
TOTAL RETAIL	5,398	+734	+15.7%	11.5	11.0

SOURCE: U.S. Department of Commerce, County Business Patterns.

Overall, the growth of retail sales has more than kept pace with inflation increasing by 4-5 percent after adjusting for inflation. Retail employment increased by about 5,800 jobs or about 10 percent. The number of retail establishments increased at a greater rate than employment (at about 15 percent) so that the average number of employees per establishment declined slightly. Trends differ, however, among the retail categories.

Specialty shops show the highest rates of growth. They also show the largest increase in dollar sales and in number of establishments. Review of the annual figures indicates that more of this growth occurred in the latter half of the 1970's than in the earlier years. Eating and drinking places have also grown substantially, particularly in employment. Most of this growth also occurred after 1975. Of note are the large shares of total retail employment (about 43 percent) and of retail establishments (about 35 percent) that are represented by eating and drinking places (see Tables 4 and 5). The constant dollar decline in sales in food and liquor stores was probably at least partially offset by increases in eating and drinking out.

There have been changes in the merchandising patterns of apparel stores since sales grew significantly as did the number of establishments, while employment declined. It appears that changes in merchandising have occurred whereby larger outlets have been replaced by smaller shops with higher volume sales per square feet. The most change in size of business as measured by employees per establishment has occurred for apparel stores (see Table 5).

There have been declines in general merchandise stores in terms of sales, employment, and number of businesses. This decline has been at least partially offset by the growth in specialty and apparel stores. These changes in types of merchandising can be observed in many other communities throughout the state. The decline which occurred in the 1970's in general merchandising in San Francisco, however, appeared to be leveling off by 1979.

The sharp differences in trends among retail categories highlight the changing retail patterns occurring in the city. The data confirm a shift to small shop, specialty retailing for specialty goods and apparel merchandising and away from larger more traditional general merchandise stores (department stores, variety stores). They also indicate a large increase in eating and drinking out, at least partially a shift from eating at home. The more significant changes occurred later in the 1970's and are continuing to be very important.

There are a number of factors behind these trends. One major factor has been the changing demographic and income characteristics of the city's population. More adults of working age in households without children has meant more households with higher incomes and with lifestyles and preferences that support growth in restaurants, bars, and specialty shopping. These factors have been of particular importance in many of the city's neighborhood commercial districts. Increases in retail activity have often occurred in those neighborhood districts with many younger, higher income, or non-family households living nearby. Retail changes have also occurred in districts where the population has changed, often when the residential area has "gentrified" to become a higher income neighborhood.

Another important factor has been the spending in San Francisco by tourists to the city and by those who live elsewhere in the region. The spending of other Bay Area residents has increased as office activity in the city increased, as San Francisco's performing arts and entertainment activities expanded, and because the city continues to offer goods and services which are not available in other parts of the region. Spending of these groups has probably had more influence on retail activity downtown and in commercial districts near the downtown area than in some of the more outlying neighborhood districts. However, certain neighborhood commercial districts do attract spending from outside the area.

B. NEIGHBORHOOD COMMERCIAL DISTRICT RETAIL ACTIVITY - CITYWIDE

Less data exists to describe retail activity for all neighborhood commercial districts within San Francisco. The only published information is for 1972 and 1977 and identifies retail activity in the downtown area, at the Stonestown Shopping Center, and in the rest of the city. The figures for the "rest of the city" provide an indication of activity in the neighborhood commercial districts.

Table 6 identifies the distribution of retail activities within the city in 1977. It highlights the fact that most of the city's retail stores are in the neighborhood commercial districts: about three-fourths of convenience goods stores (food, drugs, liquor) and about two-thirds of shoppers goods stores (apparel, general merchandise, specialty). Most of the rest of the city's retail stores are in the downtown area since Stonestown has only a very small share of the total retail stores in San Francisco.

The distribution of retail sales, however, differs from the distribution of stores. For convenience goods items, most of the sales (about 80 percent) in the city occur in the neighborhood commercial districts as do the stores. However, for shoppers goods, a little more than half of the sales occur in the downtown area and about 40 percent in the neighborhood districts although the neighborhoods have about 70 percent of the stores. A major reason is that the size and selection of the downtown stores are much larger than those in neighborhood districts. Stonestown also captures about six percent of the shoppers goods sales.

Table 7 considers the distribution of retail activity for the different categories of retail businesses and compares 1972 and 1977 figures to indicate where changes in patterns may have occurred. The data for types of retailing are only available for the downtown area and for all other

TABLE 6

DISTRIBUTION OF RETAIL ACTIVITIES WITHIN SAN FRANCISCO, 1977

TYPE OF BUSINESS	PERCENTAGE OF CITYWIDE RETAIL ACTIVITY			
	Downtown	Stonestown	Neighborhoods	Total
	%	%	%	%
ALL RETAIL STORES				
Number	23.8	1.0	75.2	100%
Sales	29.6	3.6	66.8	100%
Employees	34.2	2.8	63.0	100%
CONVENIENCE GOODS STORES				
Number	23.1	0.6	76.3	100%
Sales	17.3	2.0	80.7	100%
SHOPPERS GOODS STORES				
Number	29.5	2.0	68.5	100%
Sales	54.2	6.1	39.7	100%

Note:

- Downtown is the CBD area shown on the map in Appendix B. Basically it extends along Market Street from the Bay to 11th Street/Van Ness and goes south of Market to Howard and north of Market to include portions of the financial district, Jackson Square, Union Square and Civic Center.

- "Neighborhoods" include the rest of the city after downtown and the Stonestown Shopping Center are excluded.

SOURCE: U.S. Department of Commerce, Census of Retail Trade 1977.

parts of the city. Thus, the figures in Table 7 are for the neighborhood commercial districts and Stonestown, although the latter represents a relatively small amount of the total.

Overall the figures do not show any differences in growth rates for total retail activity between the downtown area and the rest of the city. However, the pattern differs by type of retailing. For apparel and specialty stores the neighborhood commercial districts have grown faster than the downtown area in retail sales and employment. Thus the neighborhoods captured a greater share of city sales in these categories in 1977 than they did in 1972. Similar trends occurred for food, liquor, and drug stores although there was less difference between the downtown and neighborhood areas. Of note is the very similar growth of sales and employment for eating and drinking places. There appear to be no noticeable changes in the percentage distribution of eating and drinking sales between the downtown and neighborhood areas from 1972 to 1977. The neighborhoods' growth of general merchandise, auto, and service station retail activity appears to have been slower than the growth downtown for these retail categories.

Differences in the growth of retail activity between the downtown and neighborhood areas do not necessarily mean that one is capturing sales from the other. Rather it means that the attractiveness of one is increasing relative to the attractiveness of the other. In fact, there does not appear to be significant overlap between the downtown and most neighborhood commercial districts. The neighborhood districts serve a different function than the downtown area. Generally, they primarily serve the residents in the nearby neighborhoods and in some cases they serve residents from a larger part of the city. Some districts have a larger market area because of their location near the downtown and/or their unique market orientation (Chinatown, North Beach, Fisherman's Wharf, Castro Street). Yet even in these areas there is a large share of retail business from local residents.

TABLE 7

SHARES OF CITYWIDE RETAIL ACTIVITY LOCATED OUTSIDE THE DOWNTOWN: 1972 AND 1977

TYPE OF BUSINESS	PERCENTAGE OF CITYWIDE RETAIL ACTIVITY LOCATED OUTSIDE DOWNTOWN					
	SALES		EMPLOYMENT		ESTABLISHMENTS	
	1972	1977	1972	1977	1972	1977
Apparel	37.7	41.9	40.5	43.7	64.0	61.0
General Merchandise	49.4	35.6	36.7	28.6	76.8	77.0
Drug	73.0	74.1	72.5	78.8	81.4	76.3
Specialty	44.3	50.5	48.3	55.6	68.8	70.5
Food & Liquor	92.8	93.6	91.1	93.4	89.0	88.9
Eating & Drinking	69.9	69.9	69.1	70.0	81.2	70.1
Auto & Service Stations	94.8	87.5	94.1	90.4	92.8	93.3
All Others	68.3	69.1	64.9	63.6	77.7	79.3
TOTAL RETAIL	71.9%	70.4%	65.0%	65.8%	76.9%	76.2%

SOURCE: U.S. Department of Commerce, Census of Retail Trade 1972 and 1977.

C. COMMENTS ON OTHER COMMERCIAL ACTIVITY

Similar types of data are not available for other commercial activities in the neighborhood commercial districts. These primarily include offices and local services. Within the office category, there are uses such as doctors, dentists, accountants, and lawyers which have relatively small practices catering to individuals and smaller businesses. These types of office uses have tended to continue to locate in neighborhood commercial districts. Other offices in neighborhood districts include smaller professional offices such as architects and consultants which often locate here because the owner lives nearby. Through a combination of lifestyle reasons and high space costs in other locations, these types of office activities have increased in some neighborhood areas. There are also service office uses like travel agents, real estate brokers, insurance agents, and branch banks. These continue to locate in neighborhood commercial areas primarily to serve nearby residents. Only in certain districts is there spill-over of office uses from the downtown area. This primarily occurs in those districts that are adjacent or in close proximity to downtown (such as Franklin/Gough, Van Ness, Chinatown, and North Beach). Spillover has increased recently due to the high rents and lack of space available downtown.

D. TRENDS IN NEIGHBORHOOD COMMERCIAL DISTRICTS

Most of San Francisco's neighborhood commercial districts were initially laid out along street car lines and transportation corridors. These linear or "strip" commercial districts catered primarily to the frequent needs of local residents. In many cases the ground floor storefronts have upper story residential flats and apartments.

In recent years, the character of many of these streets has changed, commercial activity has increased, and the potential trade area of some of these formerly local districts have broadened considerably. These changes are primarily a result of increased automobile usage, improved public transit, changes in shopping patterns, and changes in the demographic make-up of the residents in nearby neighborhoods. These changes have created new business opportunities and many districts have experienced rapid economic growth.

The most dramatic increase in neighborhood commercial activity has been in eating and drinking out and in specialty shopping activity (boutiques and small specialty shops). In addition, there has been growth of financial institutions and business, medical and professional offices in neighborhood commercial districts.

These new establishments often stimulate economic revitalization throughout the district. Storefronts are renovated and increased business activity is shared by all merchants. In some cases, however, expansion has been too rapid, causing both merchants and nearby residents to complain that their district is losing its neighborhood orientation and suffering from growing pains. The most commonly cited problems include increased noise and congestion caused by high concentrations of bars and restaurants, parking shortages, and a loss of neighborhood-oriented goods and services.

As noted earlier, many of the city's neighborhood commercial buildings were constructed with commercial use on the ground floor and residential units on the upper floors. Many commercial districts experiencing rapid growth in retail activity have also witnessed increased demand for upper story commercial space. In most cases conversions on upper stories have been from residential to office use.

1. Commercial Activity Patterns In Selected Districts

The Neighborhood Commercial Rezoning Study originated in response to the conditions and trends described above. In conjunction with this citywide study the Department of City Planning is undertaking a detailed land use survey of all neighborhood commercial districts.

To date the Department has released data for 10 specific neighborhood commercial streets including Union, Filmore, Haight, Sacramento, Castro, Upper Market East, Upper Market West, 24th-Noe, 24th-Mission, and Valencia Streets. In October 1979 the Neighborhood Commercial Conservation & Development Report was published documenting existing land use on a block and lot basis. Tables 8 - 13 at the end of this chapter summarize this land use information by type of use and location on ground or upper floors, for each of the 10 districts. This data has been recently updated for each of the streets and will be released in individual reports along with Department recommendations for permanent boundaries and controls.

The data in the tables indicate that those uses in neighborhood commercial districts which are typically located in ground floor space include retail shops, grocery and liquor stores, restaurants and bars, financial institutions, real estate offices, and travel services. These uses value the high visibility and good accessibility of a ground floor location. The commercial use of upper floors is limited to fewer types of businesses. These often include service-oriented office uses such as business and professional offices, medical offices, and personal and social services. These uses do not value ground floor locations as highly and some cannot afford to pay the rents that others are willing to pay for ground floor space.

Comparison among districts indicates that there are differences in the mix of uses in ground floor and upper floor space. Generally, there is more commercial use of upper floor space in the more active commercial districts. Further, retail uses rarely appear in upper floor space except in the most active districts.

2. Effects On Residential Uses

On a citywide basis, the Department of City Planning has completed a study documenting the approximate number of conversions from residential to commercial use in all commercial zones.

Specific findings and conclusions are the following:

- As of 1970, 36,622 housing units were located in commercial and industrial zones (C and M zones). This was 11% of the total of 311,887 units citywide. Of these units, approximately 26,000 were located in commercial districts (C zones).
- Over the past ten years approximately 1,000 conversions of housing units to commercial use (0.3% of total housing stock citywide) have occurred in commercial and industrial districts.
- The conversions were found to be concentrated primarily in the areas adjacent to downtown (North Beach, Chinatown, Franklin-Gough corridor), on major transit corridors (Van Ness, Geary, Lombard), and in the more popular outlying neighborhood commercial districts (Union, Castro-Upper Market, Clement, and Sacramento Streets).
- Little change has occurred on streets such as Taraval, Noriega, Balboa, Ocean, San Bruno, Monterey, Outer Mission and many others. In fact, there are commercial strips with ground floor space available to rent immediately.

The recent growth in demand for office space, the high increase in office rents, and the shortage of supply of downtown office space relative to demand contributed to the pressures for conversion. To a reduced extent these pressures are expected to continue.

Generally, conversions from residential to commercial use raise the question of how the needs of each use might be balanced. There are those who feel that the existing stock of housing must be preserved since it is difficult to replace those units, particularly at similar prices and rents. There are others who believe that commercial expansion into upper floor space provides an important means of providing competitive commercial space, and that in many districts it is the only means of expanding commercial space or of providing a lower cost alternative to ground floor locations. From an economic point of view, both arguments are valid.

TABLE 8

GROUND FLOOR SPACE IN SELECTED
NEIGHBORHOOD COMMERCIAL DISTRICTS, BY USE IN 1979

NEIGHBORHOOD	BARS, RESTAURANTS, ENTERTAINMENT		GROCERIES, OFF-SALE LIQUOR		OTHER RETAIL AND SERVICES		FINANCIAL OFFICES		OTHER OFFICES		TOTAL
	#	%	#	%	#	%	#	%	#	%	#
Union Street	52	20%	16	6%	159	62%	6	2%	22	9%	225
Sacramento Street	11	7%	7	5%	80	53%	1	1%	53	35%	152
Upper Fillmore	34	28%	14	11%	68	55%	3	2%	4	3%	123
Haight Street	33	24%	17	13%	72	53%	1	1%	12	9%	135
Castro Street	40	28%	11	8%	65	45%	4	3%	23	16%	143
Upper Market - West	25	20%	5	4%	72	59%	3	2%	18	15%	123
Upper Market - East	5	19%	3	12%	14	54%	-	-	4	15%	26
24th - Noe Street	24	16%	23	15%	82	55%	3	2%	17	11%	149
24th - Mission	35	22%	35	22%	70	45%	1	1%	15	10%	156
Valencia Street	36	18%	17	9%	111	57%	3	2%	29	15%	196
TOTAL	295	20%	148	10%	793	54%	25	2%	197	14%	1,458

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

TABLE 9

UPPER STORY SPACE IN SELECTED NEIGHBORHOOD COMMERCIAL DISTRICTS, BY USE IN 1979

NEIGHBORHOOD	BARS, RESTAURANTS, ENTERTAINMENT #	%	GROCERIES, OFF-SALE LIQUOR #	%	OTHER RETAIL AND SERVICES #	%	FINANCIAL OFFICES #	%	OTHER OFFICES #	%	TOTAL #
Union Street	--	--	--	--	23	14%	--	--	140	86%	163
Sacramento Street	--	--	--	--	6	6%	--	--	88	94%	94
Upper Fillmore	--	--	--	--	2	33%	--	--	4	67%	6
Haight Street	2	10%	--	--	2	10%	--	--	16	80%	20
Castro Street	2	4%	--	--	22	45%	--	--	25	51%	49
Upper Market - West	--	--	--	--	8	40%	--	--	12	60%	20
Upper Market - East	--	--	--	--	--	--	--	--	4	100%	4
24th - Noe Street	--	--	--	--	2	18%	--	--	9	82%	11
24th - Mission	--	--	--	--	--	--	--	--	1	100%	1
Valencia Street	--	--	--	--	--	--	--	--	9	100%	9
TOTAL	4	1%	--	--	65	17%	--	--	308	82%	377

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

TABLE 10

LOCATION OF RETAIL ESTABLISHMENTS, BY STORY, BY NEIGHBORHOOD: AUGUST 1979

NEIGHBORHOOD COMMERCIAL DISTRICT	LOCATION OF ESTABLISHMENT				
	GROUND FLOOR #	GROUND FLOOR %	UPPER STORY #	UPPER STORY %	TOTAL #
Union Street *	227	91%	23	9%	250
Sacramento Street	98	94%	6	6%	104
Upper Fillmore Street	116	98%	2	2%	118
Haight Street	122	97%	4	3%	126
Castro Street	116	83%	24	17%	140
Upper Market Street - West	102	93%	8	7%	110
Upper Market Street - East	22	100%	--	--	22
24th Street - Noe	129	98%	2	2%	131
24th Street - Mission	140	100%	--	--	140
Valencia Street	164	100%	--	--	164
TOTAL	1,236	95%	69	5%	1,305

*Data from February, 1980

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

TABLE 11

LOCATION OF OFFICE ESTABLISHMENTS, BY STORY, BY NEIGHBORHOOD: AUGUST 1979

NEIGHBORHOOD COMMERCIAL DISTRICT	LOCATION OF ESTABLISHMENT				
	GROUND FLOOR #	GROUND FLOOR %	UPPER STORY #	UPPER STORY %	TOTAL #
Union Street	28	17%	140	83%	168
Sacramento Street	54	38%	88	62%	142
Upper Fillmore Street	7	64%	4	36%	11
Haight Street	13	45%	16	55%	29
Castro Street	27	52%	25	48%	52
Upper Market Street - West	21	64%	12	36%	33
Upper Market Street - East	4	50%	4	50%	8
24th Street - Noe	20	69%	9	31%	29
24th Street - Mission	16	94%	1	6%	17
Valencia Street	32	78%	9	22%	41
TOTAL	222	42%	308	58%	530

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

TABLE 12

UPPER STORY OFFICE SPACE, BY TYPE: AUGUST 1979

NEIGHBORHOOD COMMERCIAL DISTRICT	OFFICE TYPE								
	FINANCIAL		BUSINESS		MEDICAL		SOCIAL SERVICES		TOTAL
	#	%	#	%	#	%	#	%	#
Union Street	--	--	99	71%	40	28%	1	1%	140
Sacramento Street	--	--	6	7%	79	90%	3	3%	88
Upper Fillmore Street	--	--	--	--	3	75%	1	25%	4
Haight Street	--	--	2	12%	11	69%	3	19%	16
Castro Street	--	--	12	48%	11	44%	2	8%	25
Upper Market Street - West	--	--	11	92%	1	8%	-	--	12
Upper Market Street - East	--	--	3	75%	--	--	1	25%	4
24th Street - Noe	--	--	6	67%	1	11%	2	22%	9
24th Street - Mission	--	--	--	--	--	--	1	100%	1
Valencia Street	--	--	5	56%	2	22%	2	22%	9
TOTAL	--	--	144	47%	148	48%	16	5%	308

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

TABLE 13

UPPER STORY RETAIL SPACE, BY TYPE: AUGUST, 1979

NEIGHBORHOOD COMMERCIAL DISTRICT	RETAIL TYPE						
	BARS, RESTAURANTS, ENTERTAINMENT		GROCERIES, OFF-SALE LIQUOR		OTHER RETAIL AND SERVICES		TOTAL
	#	%	#	%	#	%	#
Union Street*	--	--	--	--	23	100%	23
Sacramento Street	--	--	--	--	6	100%	6
Upper Fillmore Street	--	--	--	--	2	100%	2
Haight Street	2	50%	--	--	2	50%	4
Castro Street	2	8%	--	--	22	92%	24
Upper Market Street - West	--	--	--	--	8	100%	8
Upper Market Street - East	--	--	--	--	--	--	--
24th Street - Noe	--	--	--	--	2	100%	2
24th Street - Mission	--	--	--	--	--	--	--
Valencia Street	--	--	--	--	--	--	--
TOTAL	4	6%	--	--	65	94%	69

*Data from February, 1980

SOURCE: San Francisco Department of City Planning, Neighborhood Commercial Conservation and Development, August 1979.

CHAPTER IV

OVERVIEW ASSESSMENT PERSPECTIVE

Having described the market context for the city's neighborhood commercial districts, Chapters IV, V, and VI address the potential economic impacts of the proposed rezoning within this market setting. This chapter describes the economic impact approach taken for the overview assessment which is presented in the next two chapters.

A. OVERVIEW ASSESSMENT AND METHODOLOGY

The impact analysis summarized in this report provides a generalized economic impact analysis of the proposed revision in zoning procedures and controls. It does _not_ evaluate specific rezoning proposals for individual districts. It describes the types of economic impacts which could arise in individual districts and citywide, identifying those zoning procedures and controls which could have the most significant effects and those which are likely to be of little or no significance. It also identifies the commercial market, land use, and zoning factors which determine whether economic impacts would occur in individual districts as a result of possible changes in zoning.

Much of the description of economic impacts is written to explain the perspective for economic analysis and to provide the reasoning behind the generalized conclusions reached. The purpose of this approach is to provide a conceptual basis for a practical methodology for assessing economic impacts for individual districts when specific controls are proposed. Thus, the purpose of the overview assessment in the next two chapters is not only to identify the economic impacts which could occur, but, even more importantly, to identify how to determine if they would occur in specific situations.

B. IMPACTS CANNOT BE QUANTIFIED

There are a large number of neighborhood commercial districts in San Francisco and, to a certain extent, each is unique and serves a different function. Yet, there is also a relationship between commercial districts in that changes in one district can affect activity in other districts. The result is a highly complex, dynamic system of providing goods and services to the city's residents and to other consumers.

Because of the complexities, it is not possible to generalize about all commercial districts nor to quantitatively describe and accurately model commercial activity for all of these areas. Instead, the more workable approach is to draw from an understanding of how commercial districts develop and function in describing how and why certain types of impacts could occur as a result of the changes embodied in a proposed rezoning.

The overview assessment and methodology presented herein does not provide formulas or equations for calculating economic impacts in quantitative terms. Unfortunately such an approach is not workable. Instead, the approach is to present an evaluation of the likelihood of various types of economic impacts based on consideration of the changes proposed and of the characteristics of individual districts which are important in judging if impacts are likely to occur in a particular situation. The output is a qualitative description of economic impacts in terms of whether effects of different types are unlikely, are possible, or are likely and potentially significant and an understanding of why such a result is expected.

C. IMPACTS AS DIFFERENCES

The economic impacts of the proposed rezoning arise because of the differences in outcome attributable to the changes in zoning. Changes in neighborhood commercial districts which would also have occurred under existing zoning policy are not impacts of the rezoning. For example, if with the rezoning, there is less expansion of upper floor commercial space than there would have been without the new controls, the impacts of the rezoning arise from the lesser amount of additional commercial space not from the growth of commercial space which occurs and which would have also occurred without the change in zoning. Similarly if retail rents under the rezoning increase more than they would have increased under the existing zoning, the larger increase represents the impact of the rezoning. The rent increases which would occur under either system are not impacts of the rezoning.

D. PERSPECTIVES

1. District and Citywide Perspectives

There are two perspectives for considering the potential for economic impacts. One is the perspective of the neighborhood commercial district directly affected by changes in zoning. A second perspective is that of citywide commercial activity and whether zoning changes could result in shifts among commercial districts and in a different overall pattern or level of Citywide commercial activity. Because of the interactions among commercial districts changes in zoning in one district could affect activity in other districts as well. In many cases the nature of individual district effects depend on whether shifts between districts are likely.

2. Perspectives Of Different Interests In The Community

Having considered the effects of changes in zoning, the impacts can then be described in terms of how different interests in the community would be affected. This could include effects on:

- Consumers in terms of the types and prices of goods and services available (could there be differences in the convenience or specialty retailing orientation, in the choice of goods in a neighborhood area, in the availability of local services, etc.?);

- Merchants in terms of the viability of businesses (could costs such as rents increase, could sales revenues increase, could ability to relocate, expand, or start a new business be affected, could there be differences in effect on existing or potential new merchants or on merchants of various types e.g. restauranteurs, booksellers or realtors?);
- Commercial property owners in terms of rents and property values;
- Nearby residents in terms of more or less "spillover" activity in adjacent residential areas;
- Nearby owners in terms of residential property values and nearby tenants in terms of housing rents;
- Neighborhood and Citywide residents in terms of the preservation of existing buildings and the overall physical scale of activity;
- City residents in terms of housing supply;
- Labor force members in terms of numbers and types of jobs; and
- City residents and government agencies in terms of effect on tax revenue base (as a function of sales tax and property tax) and possibly on public service costs.

From these different perspectives, an impact could be viewed as beneficial by some interests in the community and as undesirable by others.

E. ARTICLE 7 AND INDIVIDUAL DISTRICTS

It is useful to consider the potential impacts of the proposed new zoning framework (Article 7) separate from the potential impacts associated with changes in the controls for individual districts (Sections 707+). The types of potential economic impacts differ depending on whether there is a change in format and procedures or a change in district controls. Further, the format and procedures of Article 7 could be adopted without changes in district controls. Similarly, changes in controls could occur in neighborhood districts without the adoption of Article 7. Thus, Chapter V considers the economic impacts of the proposed new framework and Chapter VI considers the impacts from possible changes in zoning controls.

The relevance of Article 7 is in the new system it creates to allow the standard neighborhood commercial classifications to be supplemented with individual districts, each having its own controls. In addition, the new Article provides new zoning procedures for changing the controls or the boundaries of districts and for conditional use review.

The relevance of the zoning controls (in Section 707+) is in whether those adopted for an individual district would represent a change from the existing zoning there or merely reflect the existing controls expressed in the new framework.

Beginning with Article 7, Chapter V explains how the proposal differs from the existing system and assesses the potential economic impacts based on those differences. The conclusions are the impacts of the framework and procedures embodied in Article 7 separate from the impacts of possible changes in controls.

Then Chapter VI considers the potential economic impacts of possible changes in controls for individual districts. The generalized conclusions in Chapter VI do not indicate that impacts will necessarily occur if Article 7 is adopted. Rather, they identify those impacts which could arise if, for individual districts, the controls adopted differed from the current zoning there.

CHAPTER V
ECONOMIC EFFECTS OF PROPOSED ARTICLE 7

The proposed Article 7 raises questions about how it will work and how it will differ from the existing system. The assessment of potential economic impacts of Article 7 is based on the differences between the existing system and the proposed framework. The ability to determine these differences is contingent upon understanding the proposal.

The first part of this chapter includes a summary of the proposal, describing the differences between Article 7 and the existing system. The second part assesses the potential economic impacts of Article 7 based on these differences.

A. OVERVIEW OF PROPOSED ARTICLE 7

The proposed Article 7 includes the updating, clarifying and reformating of existing neighborhood commercial district zoning categories, controls and procedures into one comprehensive section of the Planning Code.

All of the proposed zoning categories and controls can now be found in the current Code, in either the RC-1, RC-2, RC-3, RC-4, C-1, C-2, C-M, or Union Street Special Use District classifications. However, Article 7 consolidates all these categories and controls, unlike the current Code which lists them by separate Article.

Many of the proposed zoning categories are simple translations of the current Code into the new Article. Other sections have been modified to refine and clarify control categories prior to their translation into Article 7. A complete listing of these proposed control categories and recommended changes can be found in the Department's January 1983 report, pgs. 2-18.

The proposed zoning categories provide the base framework into which each existing neighborhood commercial district can be translated. These zoning categories are defined as "Subsections" in Section 706 of the proposed Article and deemed to be a part of each separate neighborhood commercial district classification. The districts which are proposed for translation at this time are only the permanent neighborhood commercial districts, including RC-1, RC-2, RC-3, RC-4, C-1, C-2, C-M, and Union Street Special Use District.

The proposed translation of the existing neighborhood commercial districts into Article 7 includes, for the most part, simply carrying forward the current controls for each district by zoning category, creating a separate column for each district classification. These district controls appear in Sections 707 through 714 of the proposed Article (see Appendix A). Certain minor changes in controls are proposed to update and clarify existing district provisions. The proposed changes and rationales for these recommendations are presented in the Department's January 1983 report, pgs. 19-24.

The proposed Article 7 also includes revised zoning procedures for neighborhood commercial districts, including amendments (text and map changes) and conditional use procedures.

A new neighborhood commercial district text amendment procedure is proposed to allow the City Planning Commission (CPC) or the Board of Supervisors (Board) to initiate, or any property owner or established neighborhood group to file an application to change those RC, C-1, C-2, C-M, or Union Street district controls listed in Sections 707-714 of Article 7. The current procedure allows only the CPC or the Board to initiate such changes. However, these text amendment proposals would become effective only with action by the CPC or the Board.

In conjunction with the proposed text amendment procedure, Article 7 includes a new neighborhood commercial map amendment procedure which would allow the CPC, the Board, a property owner or an established neighborhood group to file an application to change the boundaries of any established neighborhood commercial district. This is equivalent to the existing map amendment procedure, except that under the proposal these applications for boundary changes would not become effective until action by the CPC or the Board. According to current procedures the map amendment, if more restrictive, becomes effective on the filing date, on an interim basis, until the CPC or the Board takes action to approve or disapprove the application.

The map and text amendment procedures proposed for Article 7 provide the ability to create new neighborhood commercial districts with individual controls applied to a standard set of zoning categories. It also would be possible to apply for a text amendment to change one or more controls for an individual neighborhood commercial district without having to change controls for other districts. The existing Code procedures allow only the CPC or the Board to initiate by both map and text amendment, either a new base district which applies the same set of controls to all districts included in that classification or a special use district which is an overlay of controls supplementing the base district controls for individual districts.

Separate from the process of adopting and changing zoning controls, there is the ongoing process of conditional use permit procedures. The proposed Article 7 includes a neighborhood commercial conditional use procedure which provides for the regular and consistent review of conditional use applications. The Zoning Administrator would review the application and (1) make a recommendation for the CPC to either approve the application, approve it with conditions, disapprove the application, or (2) schedule the application for CPC hearing without making a recommendation. The recommendation would be posted, advertised, and mailed to the public prior to the scheduled CPC hearing.

In addition to this review procedure, Article 7 provides for specific neighborhood commercial conditional use criteria to be used by the CPC when determining approval of conditional use applications.

B. POTENTIAL ECONOMIC IMPACTS OF PROPOSED ARTICLE 7

The assessment of economic impacts of the proposed Article 7 is based on the differences established between the existing system and the proposed Article 7. When evaluating a new zoning system or framework from an economic perspective, it is important to consider the changes that the proposal would make in the certainty and predictability of zoning rules and outcomes, and in the time and cost of the process and procedures which implement the system on an ongoing basis. These factors affect the costs of doing business and the value of property in neighborhood commercial districts.

The proposed Article 7 was reviewed from this perspective. The rest of this chapter discusses how the changes embodied in Article 7 could affect the certainty and predictability of the zoning system and the time and cost of the implementation procedures. Overall, it is concluded that the proposed Article 7 does not change the present system as it now operates as much as it formalizes that system through a new Planning Code format and with some more regularized and permanent procedures within which the present process can continue to operate.

The primary differences between the proposed Article 7 and the existing system to be discussed are the following: first, the proposed Article 7 itself, the format which consolidates the standard commercial classifications into a new zoning system; second, the zoning procedures created to implement this Article and keep it going (text amendments, map amendments, and conditional use review procedures); and finally the administering and handling of the new Article.

1. Article 7, The Format

The potential economic effects of updating, clarifying and reformating the existing neighborhood commercial district zoning categories, controls and procedures into a new section of the Code are primarily those associated with the ability to understand the new system and with its operation at the neighborhood level.

a. Ability to Understand Article 7

Any new system results in initial confusion and uncertainty and requires some time for participants to become familiar with the new format, procedures and controls. The proposed Article 7 which consolidates neighborhood commercial districts into one section of the Code would represent a change for those familiar with the listing of district categories and controls by separate Article. However, to those now confused by the existing Code format and the scattered listing of the districts' controls throughout, the proposed Article could provide relief and clarify the present situation.

The availability of a handout including a summary of Article 7 and the control table (Sections 706-714) and listing the districts and controls, could enhance the workability and adaptability of the proposed Article and lessen resistance to it.

Once understood, the fact of having one section of the Code, Article 7, with a comprehensive listing of neighborhood commercial district controls and procedures could clarify the present situation and reduce confusion and associated uncertainty.

b. Operation of Article 7 at the Neighborhood Level

The proposed Article 7 would allow neighborhoods to participate in the development of district zoning controls more directly than does the current Code. The current Code only allows neighborhood applications for zoning changes which would affect all districts within the same classifications (C-1, C-2, RC, etc.). The proposal would make possible an application for an individual district with a unique combination of controls applied to a standard set of categories.

While there are benefits of tailoring controls to individual districts there are also concerns about strong local neighborhood control. This type of system encourages the organization of special interest groups at the district level who might have little interest for the cumulative citywide perspective. For example, local interest groups might not be as concerned with the trade-offs involved between commercial and residential uses, between types and sizes of commercial uses, or between increased availability of goods and services and problems of parking and congestion. However, from an economic perspective the actions in one district can shift commercial activity to other districts and have effects beyond the boundaries of the neighborhood district directly affected. The cumulative result of many local neighborhood actions is the citywide pattern.

Since the proposed Article 7 would require consideration and action by the City Planning Commission (CPC) or Board of Supervisors (Board) before any locally proposed actions would take effect, the proposal might increase the need to evaluate the desirability of local actions from the perspective of other districts and the City as a whole. This is difficult analytically and becomes difficult on an individual case-by-case basis. Further, the more districts there are with different controls, the more difficult it may be to evaluate how each will interact.

Individual district controls are not a new concept in San Francisco, however. The existing set of special use district overlays and moratoria have been adopted by the CPC and the Board in response to concerns at the neighborhood level. The proposed Article 7 does not change this situation as much as it formalizes it and establishes a permanent system within which this type of process can continue to work.

2. Zoning Procedures

The zoning procedures created to implement the proposed system and keep it going include the amendment procedures for changing existing district boundaries and controls or for establishing new district boundaries and controls, and the review procedures for the ongoing permit process.

a. Amendments

The economic issue regarding the setting of controls (text amendments) and the determination of district boundaries (map amendments) is the extent to which these boundaries and controls can be set to provide a degree of permanence and certainty to merchants and property owners. Knowing the controls and boundaries which apply to a particular area facilitates investment and development decisions and business planning. A lack of certainty can make it difficult to secure financing for improvements and difficult to sell property or businesses. It can also discourage merchants or investors, particularly those with less familiarity with Article 7 or with fewer resources.

Current procedures allow only the CPC or the Board to initiate text changes or the text and map changes necessary to establish new districts. The proposal would make it possible for a property owner or established neighborhood group to make an application to change controls or to establish new districts, but the application would still require CPC or Board action to become effective.

This change in procedures would increase the potential for formal applications to change district controls. It would not necessarily increase the number of changes because CPC or Board action would still be required before such changes could become effective.

It is unclear how CPC review would work since the criteria for requesting or evaluating changes are not specified. Further, there are no time intervals over which adopted controls mights apply or for evaluation of requested changes. As proposed, there appears to be the potential for more frequent changes and lesser certainty as a result.

Yet, the Article 7 procedures may not be significantly different from the current situation where local groups do not formally apply but do request moratoria, special use districts, and interim reclassifications which require CPC or Board action. Only actual experience will indicate whether the proposed procedures result in fewer or more changes and uncertainty.

Under the current system (as regulated in Section 302 (e)), a map amendment application, if more restrictive, becomes effective on its filing date, on an interim basis, until the CPC or the Board takes action to approve or disapprove the application. The proposal would change these map amendment procedures to require a public hearing and CPC or Board action to make such amendments effective. It would not affect which parties may make applications for map amendments. This change is significant, insofar as the public hearing would allow all interested parties to provide input before such a change could take place.

Of importance to the permanence of the boundaries could be the extent to which they are initially adopted to coincide with the boundaries of established neighborhood merchant and residents groups and to reflect commercial market factors. There is more potential for frequent requests for change where the change could tip the balance of political power or could result in shifts of activity from one adjacent or nearby area to another.

b. Conditional Use Review Procedure

Separate from the process of adopting or changing district boundaries and controls is the ongoing process of permit review procedures. The effect of Article 7 on the predictability of permit approval and on the processing time and informational requirements for permit applications depends on the extent of conditional use review and on the conditional use review procedures.

Because the proposed Article 7 includes, primarily, a translation of existing neighborhood commercial district use controls (principal, conditional, or not permitted) there is no change in the number of uses which require conditional use review. Thus, there is no effect of this initial translation on the use of conditional review.

However, once the new Article is adopted and the existing districts are translated into the new form, the text amendment procedures could be used to change controls within an existing district or to establish additional districts with individual controls. If such changes or additions were adopted, conditional use could be designated more or less often than it would be under the present system. It is not possible to generalize as to how widely conditional use review might be designated. If conditional use were used more often, the situation under the proposed Article could be viewed as potentially less predictable. If, however, conditional use replaced the use of discretionary review or special use review procedures, the new proposal would not necessarily increase uncertainty.

When conditional use is required, the proposed Article 7 includes a neighborhood commercial conditional use procedure. The proposal includes standards for determination of conditional use applications in the form of both general guidelines for all conditional uses in neighborhood commercial districts and specific guidelines for particularly sensitive uses. Compared to the existing system the predictability of the conditional review process could be increased by the adoption of these standards. This at least partly depends on how the standards are actually applied in practice. Over time, that predictability could be increased by a record of how the standards had been applied in past cases.

The adoption of standards could also affect the informational requirements for permit applications. This would also depend on how the procedure works in actual practice. However, the standards could help to identify the information needed to establish if a proposed use meets the standard. The nature of the submittal is less clear.

The proposed Article 7 also provides for the initial review and recommendation of all conditional use applications by the Zoning Administrator within 30 days of application (or 10 days after environmental evaluation). The Zoning Administrator could recommend that an application be approved, not approved, approved with conditions, or heard by the CPC without recommendation. The actual decision on the application would be made by the CPC. This proposal attempts to provide prompt and early response to the more routine conditional use applications and to alert the applicant as soon as possible if the application is more controversial. This procedure would assure the applicant and the concerned neighborhood that the initial recommendation would be available within a definite set period of time. This would probably increase the predictability and could shorten the processing time. Since the Zoning Administrator's decision is only a recommendation, the extent of improvement depends on the degree to which that decision is accepted by the CPC and the extent of public appeals.

3. Administration and Enforcement

The proposed new framework and changes in zoning procedures could have effects on the workload of the Department or the City Planning Commission. This has implications for the City's fiscal or budgetary situation.

Under the proposed Article there could be more districts to set up in terms of boundaries and controls. There could also be more requests for changes and possibly more changes to keep track of. This has implications in terms of processing and hearing time. It also has implications in terms of the time required to keep the controls and requirements up to date and accessible to the public. To a certain extent, however, a more organized public process facilitates the functioning of the system for the private sector.

However, the practical effect of establishing additional permanent districts could be to reduce the number of interim special use district overlays, moratoria, and discretionary review cases currently administered by the Department. If so, there may be little or no net effect on processing time.

Costs to the City could also be affected by the conditional review process. The proposed procedure could increase the Zoning Administrator's time but could save hearing time for the CPC. If conditional review occurred more or less frequently under Article 7 there could be more or less cost associated with this process.

Another factor concerns the enforcement aspects of the new Article. If additional districts are established it could be more difficult to monitor the functioning of more districts each with different, individualized controls. However, these effects might be limited primarily to those associated with the time necessary to learn the new format of the Article and the specifics of the controls in each district.

CHAPTER VI

ECONOMIC EFFECTS OF CHANGES IN ZONING CONTROLS

The proposed Article 7 includes all of the zoning categories found within the current system, in either the RC, C-1, C-2, C-M, or Special Use District classifications. Under the proposal the existing standard classifications would be eliminated and all of the current categories and controls consolidated into a new system. New control alternatives are also proposed in some zoning categories. Having consolidated the zoning categories and controls into the new system, controls in each of the zoning categories would be adopted and applied individually to each of the neighborhood commercial districts which would be established as separate commercial classifications.

Under Article 7, any district for which existing district controls (such as C-1, C-2, C-M, RC) are judged to be inappropriate could be established as a separate neighborhood commercial district (such as Union Street). Each district would have a separate section number and column in the neighborhood commercial district control table (see Appendix A). For such a district some or all of the controls, as necessary, could be changed from the original district. It is not anticipated that separate districts would be established for all neighborhood shopping areas in San Francisco. Many areas would continue to remain C-1, C-2, RC, or C-M. Separate districts would be created only for those districts determined by the City Planning Commission or Board of Supervisors to require individual controls.

The economic impacts in individual neighborhood districts depend on whether the controls adopted for each category reflect changes in controls or merely represent the existing controls translated into the new framework. If there are no changes in controls there are no impacts separate from those which are associated with the new framework as discussed in the previous chapter of this report. If there are changes in controls, there could be impacts in addition to those from the new system itself. The extent and significance of the economic impacts depends on the control changes that are made and on the market and land use conditions of the particular district affected.

This chapter considers the economic implications of possible changes in controls in individual districts; it does not consider any specific proposals for specific districts. Rather it focuses on situations where the proposed controls could differ from the current controls in some districts. In this way, economic impacts are evaluated in terms of the potential significance of possible changes in controls. In other words, the approach is to hypothesize what could occur to identify those changes which are likely to be of most significance to the city's neighborhood commercial districts.

The generalized conclusions reached from this type of analysis indicate whether some of the choices could have significant impacts. If impacts are likely, these conclusions do not indicate that impacts will necessarily occur if the proposed Article 7 is adopted. Rather they identify those impacts which could occur if, for individual districts, the adopted controls resulted in changes from the current zoning there. This type of analysis is useful for evaluating the eventual choice of controls in individual districts because it can be used to identify if a particular choice is likely to have an impact.

The economic evaluation considers the zoning controls in the format of Article 7. However, if Article 7 were not adopted, the same types of controls could be initiated into the current system and similar types of changes in controls could still be made. For example, the vertical controls already exist in the RC and Special Use districts and could be incorporated into C-1 and C-2 districts without Article 7. Thus, the analysis described in this chapter would apply to changes in controls of various types, whether they occurred in the format of Article 7 or of the current system.

A summary of the conclusions of this chapter is presented in chart form in Appendix D.

A. ECONOMIC IMPACT APPROACH

1. Economic Factors To Be Considered

Economic impact analysis is done to identify the possible differences because of changes in zoning controls. Figure 1 lists the economic factors which could be affected. For example, the amount of commercial space, the types of commercial uses, or commercial rents could be different with changes in district controls than they would have been under existing zoning.

FIGURE 1

ECONOMIC FACTORS WHICH COULD BE AFFECTED BY CHANGES IN DISTRICT CONTROLS

- Amount of Commercial Floor Space
- Types of Tenants and Mix of Commercial Uses
- Amount of Commercial Activity (sales, shoppers, clients)
- Availability of Goods and Services and Range of Prices
- Rents for Commercial Space
- Value of Property in Commercial Districts
- Profitability of Doing Business
- Employment
- Public Revenues (property tax, sales tax, etc.)
- Amount of Housing

2. Approach

The approach to economic impact analysis is to consider possible changes in zoning controls for individual districts within the context of economic market factors and existing land use and activity patterns. The assessment is done in several steps.

First, possible changes in controls are considered in terms of their effects at the parcel and district level. Second, the extent of interactions among different districts is considered. Zoning changes in one district could result in shifts in commercial activity to other districts. In many circumstances it is not possible to describe individual district effects without first considering if shifts to other districts are likely.

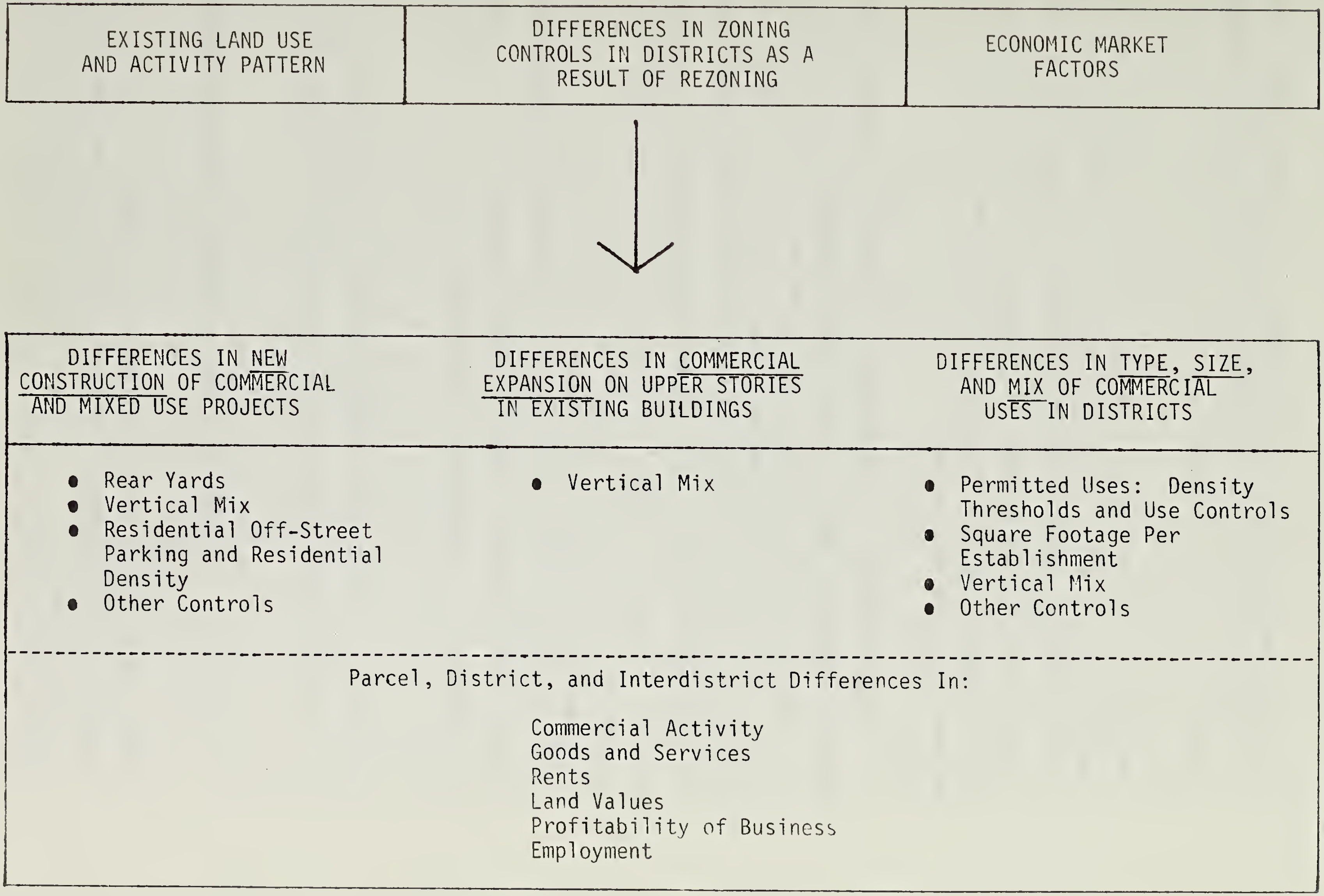
Since individual zoning controls can have more than one type of economic effect and since economic effects often result from the combination of changes in several controls, the analysis is organized by economic effects or types of impact rather than by zoning control categories. Several questions about different types of economic effects must be answered before the economic impacts on a district can be summarized. Each of these questions must be considered at the parcel, district and interdistrict levels.

Figure 2 summarizes the approach for identifying the economic impacts of changes in zoning controls. As shown there are three main questions or issues to be addressed:

- Would changes in controls result in differences in the amount of new construction in a district by affecting the feasibility of commercial and mixed use projects?
- Would changes in controls result in differences in the expansion of commercial use within existing buildings in commercial districts through effect on the uses permitted by stories or effect on ability to change from residential to commercial use?
- Would changes in controls result in different types, sizes, and overall mix of commercial uses in a district through effect on the types of commercial activity permitted?

FIGURE 2

APPROACH FOR IDENTIFYING THE ECONOMIC IMPACTS OF CHANGES IN ZONING CONTROLS FOR NEIGHBORHOOD COMMERCIAL DISTRICTS


EXISTING LAND USE AND ACTIVITY PATTERN
DIFFERENCES IN ZONING CONTROLS IN DISTRICTS AS A RESULT OF REZONING
ECONOMIC MARKET FACTORS
DIFFERENCES IN NEW CONSTRUCTION OF COMMERCIAL AND MIXED USE PROJECTS
DIFFERENCES IN COMMERCIAL EXPANSION ON UPPER STORIES IN EXISTING BUILDINGS
DIFFERENCES IN TYPE, SIZE, AND MIX OF COMMERCIAL USES IN DISTRICTS
• Rear Yards
• Vertical Mix
• Residential Off-Street Parking and Residential Density
• Other Controls
• Vertical Mix
• Permitted Uses: Density Thresholds and Use Controls
• Square Footage Per Establishment
• Vertical Mix
• Other Controls
Parcel, District, and Interdistrict Differences In:
Commercial Activity
Goods and Services
Rents
Land Values
Profitability of Business
Employment

The first question deals with the ability to add floor space through new construction. This includes building on vacant parcels, expanding existing structures, and demolition and reconstruction on a site. As shown in Figure 2 there are several controls which could affect new construction. Consideration of whether changes in controls affect new construction is really a two step process. To determine if there would be differences in what is actually built, analysis must be done to identify both how the changes in controls affect what could be built (building envelope) and how they affect the financial return that could be made from that development.

The second question is concerned with the ability to expand commercial space in commercial districts when the commercial expansion would occur within existing structures and replace another use (unless the space is not in use). The term commercial use refers to all types (retail, office, services) since the distinction here is made between commercial and non-commercial uses. The major issue behind this question is the ability to expand in upper story space in commercial districts when the commercial use would be a change from residential use. The implications on commercial activity are discussed in this report. The policy decisions require that trade-offs be made between the advantages and disadvantages of commercial and residential uses in individual districts as compared with other possible locations for each. This report does not address this latter issue.

The third question focuses on the commercial uses which may or may not be permitted in a district as a result of changes in zoning controls. As shown in Figure 2, several controls are relevant to this issue. This question focuses on the types, sizes, and overall mix of commercial uses in a district. It also considers the location of certain uses when controls directly regulate where they can locate. There is overlap between this question and the other two questions because the availability of commercial space (as affected by new construction and commercial expansion in existing buildings) affects the abilities of certain uses to locate in certain districts. However, these effects are more appropriately discussed as the implications or indirect effects of the changes in controls which are responsible for differences in commercial space.

Each of these three questions should be considered in evaluating the controls proposed for an individual district. If the controls do not change or if the answers to these questions are all negative, the rezoning in that district is unlikely to have significant economic impacts. If there are affirmative answers to one or more questions then there are economic impacts and further consideration must be given to the subsequent effects of these changes. For example, if changes in controls limit the expansion of upper story commercial space, what happens to rents, to the mix of tenants in the existing upper story space, to property values, etc? The items listed toward the bottom of Figure 2 identify the types of economic factors which could be affected. As noted, these effects are sometimes limited to certain parcels, sometimes affect the district, and also can affect other districts (because of shifts in activity).

Each of the next three sections of this chapter addresses one of the questions about the economic impacts of changes in zoning controls. Each discussion provides a summary of whether significant effects are likely and identifies the controls which would be responsible for those effects. Each section also considers both the direct and indirect effects which could result. Following these discussions, the last section of this chapter considers the possibility of impacts in all three areas and then provides a cumulative perspective for considering citywide impacts.

B. CHANGES IN CONTROLS WHICH COULD AFFECT NEW CONSTRUCTION

Changes in zoning controls in neighborhood commercial districts could have various effects on new construction of commercial and mixed use (commercial and residential) projects.

1. Direct Effects of Possible Changes In Controls

Although a number of zoning controls could affect new construction, those effects can be generally summarized as follows:

- Changes in controls which reduce the amount of additional commercial construction permitted generally diminish the feasibility of new development. The most significant changes would be those to require rear yards for commercial floors and to prohibit upper story commercial use.

  If such changes were initiated, the returns from commercial and mixed use projects would be lower than they would have been without changes in controls. Although returns would be diminished, most new construction projects on vacant sites would still occur. However, the amount of commercial space added through new construction on vacant sites could be less.

  Where new construction would necessitate the demolition of existing development, the changed controls could render new construction infeasible in some situations. In most other situations, changes are more likely to reduce the return from new construction which would still be feasible. Generally, it would be the changes in controls that reduce the amount of buildable commercial space (particularly ground floor retail space) compared to existing commercial space on a site that could cause new construction to be infeasible.

- Changes in controls which would affect residential construction generally would make it possible to build above commercial uses and enhance feasibility of the mixed use projects relative to solely commercial projects. The most significant changes for districts with small lots would occur from changes in residential off-street parking requirements. For districts with larger lots, increases in dwelling densities could also be important.

  With these changes, some additional for-sale housing would probably be built in some districts. In most districts, it is unlikely that a large number of additional housing units would be built.

  Since housing is not a highly profitable use, the overall feasibility of mixed use projects is not enhanced significantly. Thus, the housing changes would not significantly encourage the construction of more projects and thereby offset the effects on commercial feasibility described

> above. In fact, the ability to take advantage of the changes in controls encouraging housing could be lessened if the feasibility of commercial uses is diminished since the commercial uses have more effect on the returns from mixed use projects.

The analysis done to test the effects of possible changes in zoning controls on the feasibility of new construction was based on assessment of the costs and revenues of development on typical lots in hypothetical neighborhood districts. The analysis considered the implications of changes in one or more zoning controls on the feasibility of new construction. It considered construction on vacant sites and on sites where demoliton of existing structures would be required. Various combinations of land uses and building envelopes were evaluated. The analysis done for a typical 2,500-square-foot lot in a neighborhood commercial district is summarized in Appendix C.

The conclusions reached as to the effects of changes in various zoning controls are summarized below.* As background, it is important to understand the following. In most neighborhood commercial districts,** the ground floor commercial use generates far greater returns than second story commercial or upper story for-sale housing. Upper story uses make relatively small contributions to a project's overall return. Thus, changes in controls which affect construction on the ground floor are likely to have a greater effect on overall construction feasibility than changes which affect what can be built on the upper stories. Further, where off-street parking is required for housing, mixed use projects on small lots are likely to be infeasible, primarily because the parking significantly reduces ground floor commercial space. The discussion in Appendix C explains and expands upon these points.

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*See Appendix A for Neighborhood Commercial District Controls.

**The analysis of construction feasibility generally applies to the typical neighborhood commercial districts with relatively small lots; with one, two, and three story buildings; with commercial uses on the ground floor and possibly on the second floor; and with some housing on the upper floors. The analysis may not always apply in the largest neighborhood commercial districts like Chinatown, North Beach, or Fisherman's Wharf.

a. Rear Yards

If rear yards for ground floor commercial were required in districts where they are not currently required, the returns from new development could be reduced, in some cases by about 25 percent.* Although this would significantly reduce the attractiveness of some projects, it is unlikely to deter construction on vacant parcels. However, where new construction would necessitate the demolition of existing development, the rear yard controls could make new construction infeasible in some situations. Generally, new construction requiring demolition would be feasible only when it increases the amount of ground floor retail space and increases the rent for that retail space. If changes to the rear yard controls would reduce the amount of buildable ground floor retail space compared to existing space, new construction may not be feasible.

Changes in controls to require rear yards for second story commercial would also reduce return, but would have less effect on overall project feasibility because of the relatively smaller contribution made by upper story commercial space. The rear yard requirement could also directly affect the ability to expand existing buildings if the expansion would use more than 75 percent of the site.

Where construction occurred after the changed controls were in effect, the amount of newly built commercial space would be less to the extent that the area reserved for the rear yard would have been built upon prior to the changed controls.

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*The actual effect depends on many factors. It could be less in cases where the lots are very deep and the rear area is not as desirable for commercial use. Also, in some cases, there could be benefits from landscaped areas at the rear of the site, particularly if they are visible from the inside. There could also be situations where, without a change in controls, the new construction would have left at least some rear yard to be compatible with adjacent and nearby uses.

Locations where rear yards are required would be less desirable for new construction than locations where development could cover the entire lot. This could have an effect on the relative demand among districts or among sites within a single district.

b. Vertical Mix*

The proposed vertical mix controls could directly affect the amount of newly constructed commercial space through changes in controls either to prohibit upper story commercial space in districts where it is currently permitted or to allow upper story commercial only if housing were not removed.

If upper story commercial were no longer allowed, the overall returns from new construction projects could be diminished, depending on the demand for upper story commercial space. The examples in Appendix C indicate that with a small lot in a moderately active commercial district, changes prohibiting upper story commercial space could reduce the return from new construction on vacant lots by about 10 percent. In many districts, however, this change could have less of an impact on feasibility than changes that require rear yards. This is primarily because of the greater relative importance to feasibility of ground floor space.

A change in controls to permit upper story commercial if housing is not removed would not directly affect new construction on sites without existing housing. On sites with housing, the outcome is less clear. If upper story commercial space was prohibited because housing would be removed, such a change could discourage new construction if the revenues from upper story commercial space were necessary to support the new development. Or, this type of change might not affect new construction on sites with few existing units if demolition was permitted as long as housing was included in the new project. This last case is most likely to apply in situations where the new development would result in more commercial space than existed in the old building and where the characteristics of the site, the market, and the other controls support the development of some housing.

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*The term "vertical mix" refers to the controls for permitted uses on upper stories. The notation used in the neighborhood commercial district control table (Sections 710-713) is explained in Section 706.0(c). These Sections are presented in Appendix A.

New construction would not be feasible in some situations where it would require the demolition of existing multi-story development which includes retail and housing. This would be the case whether or not the controls affecting vertical mix are changed. If the controls are changed, they could eventually have an effect on the feasibility of new construction if rents for the new uses increase relative to construction costs or relative to the rents of the existing uses.

Prohibiting upper story commercial use would not necessarily encourage the construction of housing instead, at least in most commercial districts. If residential construction is not feasible because of parking requirements or because prices are not high enough to cover the costs of new construction, changes in the vertical mix control will not improve these conditions. In this situation, constructing only ground floor commercial would be the most economically desirable use, at least for vacant sites, if upper story commercial use were not permitted. Only in districts where for-sale housing prices can be obtained and where parking requirements do not deter new construction, is it possible that mixed use projects with housing above ground floor commercial would be built.

In some cases, housing directly above ground floor commercial could result in land use conflicts (due to noise from the housing or commercial, for example). This could have an effect on the demand for either use, lowering the rents or sales prices and diminishing development feasibility.

c. Residential Off-Street Parking

Possible reduced requirements for residential off-street parking could enhance the feasibility of a small amount of housing above commercial. When parking is required (current zoning), the configuration of most small lots in neighborhood commercial districts necessitates the placement of the parking on the ground floor in place of commercial use. Unless access is available from the side or rear of the lot, the parking requirement effectively precludes ground floor commercial. Because of the high value of ground floor commercial, no construction of mixed use projects would occur in districts with small lots.

Changes could be made to allow the parking requirement to be waived for up to four dwelling units. With this change, upper story, for-sale residential development in districts with small lots would be feasible in some districts.* Even where feasible, housing is usually only marginally feasible, providing a small return to the developer. The construction of new rental housing is unlikely to be feasible under current market conditions.

For larger lots, changes in parking requirements could also enhance the feasibility of residential development. For larger projects it is the cost of providing parking that is a major factor in project feasibility.

It is unclear if off-street parking would be necessary to obtain construction financing or to market the housing units. The lack of off-street parking may not be a constraint to financing or marketing at lower housing price levels. If units were built and sold, the lack of parking could contribute to existing parking shortages in some districts.

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* Based on the examples in the feasibility testing, housing is likely to cover its cost when condominiums of 800-900 sq. ft. could be sold for $125,000 or more or when very small units of 400 sq. ft. could be sold for $70,000 or more.

d. Dwelling Density

Zoning controls could be changed to increase the allowable density of housing development. In many districts, a change in density would have no effect unless parking requirements were also waived. Even if both changes in density and parking occurred, the effect of increased density is unlikely to be significant because the small lots in many districts limit the opportunity to take advantage of the higher densities. On small lots, increases in allowable density could add to the returns from new construction under market conditions that support the sale of very small units (about 400 sq. ft.), and where up to four units would be built (more than four units would require off-street parking, which would render new construction infeasible).

For districts with large lots, there is greater opportunity to take advantage of increased density. It would probably have most effect in situations where there is demand for new units in larger projects and where the height limit and parking requirement were compatible with the higher density. Because of the high cost of parking in larger, higher density projects, a change in zoning to require fewer spaces per unit might also be necessary. Evaluation of specific circumstances may be needed to further consider density and parking controls depending on which districts changes in density are eventually proposed.

e. Other Controls

The permitted use controls could directly affect new construction if changes in these controls prohibited uses for which new buildings would have been built. The most likely situation would be in the case of financial offices. New construction has occurred in many neighborhood commercial districts to provide new facilities for banks and savings and loan institutions. If the zoning were changed to not permit additional financial offices in a district, there could be less new construction in that district as a result. Similar effects could apply for other permitted use categories.

The square footage per establishment control could also affect new construction. Changes in this control could affect whether large buildings for a major tenant would be built in a district.* Although this control directly regulates size of establishments, not buildings, it could affect new construction if a change in control prohibited a large business which would have located or expanded in the neighborhood and for whom a new building would have been built. In most neighborhood commercial districts, this control would not be expected to have an effect on new construction. (It could have an effect on size of uses in existing structures as discussed later in this chapter.) Where it did affect construction, it could affect the type and size of buildings more than the overall amount of commercial space added. For example, space for several smaller establishments might provide the same additional square feet as a building for one major tenant. Whether this shift occurred would depend on the type of demand for space in the district affected.

Other controls such as requirements for street trees for all new construction could affect the cost of construction but are unlikely to have a major effect on what is built.

f. Overall Direct Effects

Overall, if there were changes in controls which enhanced residential feasibility some additional for-sale housing could result in some districts which would not have been built without changes in zoning. However, housing is not a highly profitable use so that the overall feasibility of most mixed use projects would not be enhanced.

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*The potential effects on new construction of limits on the size of establishments are considered here separate from the effects of off street parking requirements. In many cases, the parking requirements on space exceeding 5,000 sq. ft. would be the factor which affects the feasibility of new development. Changes in the square footage per establishment controls should be viewed as affecting new construction only in cases where that development would have met the parking requirements.

Changes in controls which would decrease returns from commercial construction (if less new commercial space were permitted) would have a diminishing effect on overall project feasibility (commercial only and mixed use). If feasibility were diminished, development of vacant properties would probably still occur although returns would be less. That might not always be the case for private redevelopment (demolition and rebuilding) since the feasibility of new construction would be diminished relative to the existing use. This could inhibit some new construction that might have otherwise occurred and result in less total addition of newly constructed commercial space. Thus, both the effects of fewer new construction projects and less space added by the construction which did occur (less because of the controls) could result in less total expansion of commercial space in neighborhood commercial districts. Further, the ability to take advantage of changes in controls encouraging housing could be lessened if the feasibility of commercial uses were diminished because the commercial uses have much more effect on overall returns from mixed use projects.

2. Indirect Effects of More or Less New Construction

The reasoning above identifies the potential for changes in zoning controls to have an effect on ability to expand commercial space and housing through new construction in neighborhood commercial districts. Whether it does or not depends on the controls adopted for individual districts. This section considers the economic implications of such effects if they were to occur.

a. Commercial Construction

If there was less commercial expansion because of changes in zoning controls, several outcomes could occur. For districts where commercial demand remains strong, less commercial space relative to demand could result in more competition for the existing space and eventually higher rents. In this case, less total supply relative to demand would make the available space more desirable and more valuable.

The extent of such effects occurring depends on three factors. One is the extent that changes in controls result in less commercial space. There is likely to be more effect on construction in areas where market support is strong and on the upswing (rents and activity increasing, commercial space recently added, possible recent changes in tenants) and where there is physical ability to expand (vacant and underutilized sites, ground floor not so intensely developed). A second factor is the extent that changes in zoning controls also affected the commercial expansion on upper stories of existing buildings and/or the type of commercial uses allowed (discussed in the next two sections of this chapter). These other types of impacts could combine with the effects of new construction to result in more competition for existing space. The third factor is the ability of demand to shift to other districts, primarily those with greater potential to add space or with lower relative rent structures and demand pressures. The extent to which shifts would occur depends on the types of space affected, the substitutability of available options, and the extent that the rezoning affected other neighborhood commercial districts (cumulative effects). If shifts occurred, demand pressures would be decreased in the district where new construction was directly affected by the changes in controls. They would be increased in the district(s) to which the commercial activity shifts.

It could also be the case that less commercial expansion in a district would result in a less desirable market situation than if more space had been built. For districts where commercial demand were diminished, less new construction could mean lower activity and lower rents for the existing space. This situation could occur for districts that are just beginning to be upgraded and expanded and which may not be able to "take-off" or get to a certain minimum size as the result of changes in zoning controls. For these districts, the effects of never "taking-off" could mean a loss of some of the commercial activity they once had.

Interdistrict effects are also possible in this situation since less commercial activity in one place could mean more activity in another.

Once the direct and indirect effects of changes in zoning controls are evaluated, it is then possible to step back and describe the economic impacts in terms of the differences in commercial activity, rents, land values, types of goods and services, profitability of businesses, and employment (as listed in Figure 2). These factors basically describe the differences which occur at either the parcel, district, or interdistrict level. As described above, other districts besides the ones where zoning controls are changed can also be affected by those changes because of the market interactions and locational shifts which occur. Further, the impacts in the districts directly affected by control changes often depend on the extent to which shifts occur.

A brief summary of how these economic factors could be affected is presented below for the three types of situations described above. In each case, the descriptions more, less, higher, or lower all refer to the difference between what occurs where changes are made in zoning controls as compared to what would have occurred without the changes in controls. They are not comparisons to the current situation. How much higher or lower depends on the factors described above and on the circumstances of the particular districts affected.

- Districts where rezoning limits new construction and market support remains strong:
    - less commercial space added
    - higher rents from increased competition for existing space
    - lower land values from less development potential; partially offset by higher rents
    - more commercial activity (sales, shoppers) per square foot of space; probably less total commercial activity although may not be significantly affected
    - higher costs of doing business to extent that higher rents are not offset by increased activity
    - probably less additional employment although jobs likely to be similar to differences in additional commercial activity

  - unable to generalize about types of goods and services; higher rents could make it more difficult for lower volume uses to compete

- Districts where rezoning limits new construction and market support is diminished:

  - less additional commercial space
  - lower rents
  - lower land values
  - less increase in commercial activity
  - less additional employment
  - unable to generalize about goods and services

- Districts to which commercial demand shifts

  - greater commercial activity
  - higher rents
  - higher land values
  - more employment

b. Residential Construction

There could also be indirect effects of the additional for-sale housing built as a result of changes in zoning controls. However, because a large number of additional units is unlikely, the indirect effects generally would not be significant. Within the neighborhood district where the units are built, the spending of the additional residents would add to local sales activity. Also in the district, the general availability of on-street parking (particularly for shoppers and clients to the local businesses) could be affected if the units were built without off-street parking. The significance of this effect also would depend on parking conditions in the district and peak usage periods (are residential needs greater at night and commercial needs greater during the day or do demands overlap?).

Beyond the district, there could be overall city housing market effects. Since the number of additional units is not expected to be large and given the major importance of many other regional and national housing market factors, the effects of the additional construction would be unlikely to make a noticeable difference in overall housing prices and rents. Yet, given the great need for constructing new units, they would add to the supply and provide housing for some consumers.

C. CHANGES IN CONTROLS WHICH COULD AFFECT COMMERCIAL EXPANSION IN EXISTING BUILDINGS

Changes in zoning controls could limit the expansion of commercial space within existing buildings in neighborhood commercial districts. The major effect could be to limit the ability to expand commercial use in upper story space when the commercial use would be a change from residential use. This section focuses on the implications for commercial activity.

1. Direct Effects of Possible Changes In The Vertical Mix Controls

The vertical mix controls determine the uses permitted on various stories of a building.* At each story, each use could be designated as permitted, conditional, or not permitted. A further alternative would be for non-residential uses to be "permitted if they do not displace a residential unit".

Changes in the vertical mix controls could directly affect commercial expansion in existing building space within commercial districts. If changes in controls were made so that commercial use (retail, office, personal services) were no longer permitted, then changes in use from non-commercial to commercial could not occur. If commercial uses were permitted but only if housing was not displaced, commercial expansion could also be limited in many districts.

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*The term "vertical mix" refers to the controls for permitted uses on upper stories. The notation used in the neighborhood commercial district control table (Sections 710-713) is explained in Section 706.0(c). These Sections are presented in Appendix A.

Potentially, changes in vertical mix controls could have a very significant effect on the ability to expand commercial space in neighborhood commercial districts. It is likely that changes would primarily affect the expansion of upper story commercial space. If commercial use already exists on the ground floor the only ability to expand is to use the upper stories.* The other alternative would be to expand the horizontal boundaries of the commercially designated area, which may be unlikely in many districts.

The choice of vertical mix controls for individual districts will determine the extent to which significant effects actually occur. This choice involves a trade-off between commercial and residential uses. These decisions involve consideration of the advantages and disadvantages of each use in a district, an evaluation of the alternative locations for each, and consideration of the costs associated with the loss of either one. Many in the business community feel that the locations for neighborhood commercial businesses are limited and that trade-offs were already made as to the boundaries of the areas for commercial activity. Now they are concerned with the prospect of possibly reducing the size of the areas set aside for commercial use if expansion were severely limited by changes in the vertical controls.

2. Effects of Less Upper Story Commercial Expansion

There is the potential that changes in vertical mix controls could limit commercial expansion, primarily in upper story space. The significance of this effect depends on the controls adopted for individual districts. This section considers the economic implications of such effects if they were to occur. These are the indirect effects of changes in vertical mix controls.

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* Even if existing buildings with ground floor commercial uses were demolished and rebuilt, the only way to gain a significant amount of commercial space would be to have commercial on the upper stories, unless the efficiency of the ground floor space could be substantially improved. It should be noted that changes in the rear yard control could limit the ability to expand ground floor commercial when it did not already cover the site and could diminish the ability to gain commercial space through new construction by diminishing the feasibility of private redevelopment in some cases, as described in the previous section.

a. Background

Two types of information are useful for considering the effects of less upper story commercial expansion: differences in types of uses and differences in commercial rents between ground floor and upper story space. Regarding commercial uses, those which are generally located in ground floor space include retail shops, grocery and liquor stores, restaurants and bars, financial institutions, and often real estate offices and travel services.[*] These uses value the high visibility and good accessibility of a ground floor location. The commercial use of upper stories is limited to fewer types of businesses. These often include service-oriented office uses such as business and professional offices, medical offices, and personal and social services. These uses do not value ground floor locations as highly and some cannot afford to pay the rents that others are willing to pay for ground floor space.

Differentials in rents reflect, in large part, the distribution of commercial uses between stories and among districts. This is illustrated in Table 14.[**] In general, the gap between ground floor and upper story rents is wider in more active districts where demand is stronger for higher volume retail uses. In the less active districts ground floor rents are often low enough (and the difference between ground floor and

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[*] See Chapter III, Tables 8-13 for summaries of the mix of land uses by story for selected districts.

[**] The rents shown are provided as examples only to illustrate current differentials in rents among floors. The selection of neighborhoods is not intended to imply any conclusions about the interim special use district controls although most of these districts are interim special use districts. The choice was intended to cover a range of rents and to include districts with substantial upper story commercial use.

TABLE 14

AVERAGE RENTS FOR GROUND AND UPPER STORY COMMERCIAL SPACE IN SELECTED NEIGHBORHOODS: JULY 1982

NEIGHBORHOOD COMMERCIAL DISTRICTS	MONTHLY RENT PER SQUARE FOOT OF SPACE	
	GROUND FLOOR	UPPER STORY
Irving Street	$ .75 - 1.25	$ .50 - .75
24th Street - Noe	1.00 - 1.50	1.00 - 1.25
Sacramento Street	1.25 - 1.50	1.00 - 1.25
Upper Fillmore Street	1.25 - 1.75	1.00 - 1.25
Upper Market Street - West	1.50 - 2.00	1.00 - 1.25
Castro Street	2.50 - 3.00+	1.00 - 1.50
Union Street	2.50 - 3.00	1.50 - 1.75

SOURCE: Recht Hausrath & Associates

upper story rents small enough) to result in many office uses on the ground floor. As demand for ground floor space increases and rents rise in response, higher volume retail uses are better able than many office uses to afford ground floor space. In the districts where business activity is high and demand is strong, most office uses end up in the upper story space. The areas where retail represents more than a negligible share of the upper story commercial establishments are the most active neighborhood commercial districts. These are also the districts where upper story rents are the highest.

b. Effect on Locational Choices of Businesses

Less expansion of upper story commercial in an individual district would first result in greater competition for the existing upper story locations than would have occurred. There would be fewer options available for those desiring to expand or locate in the district. Rents would increase because of this increased competition as long as businesses still desired a location in the district. This would affect those desiring to expand or to locate there and would affect existing tenants in the district as well when leases expired and rents were renegotiated to a higher level. By affecting the addition of upper story space, changes in vertical controls would affect the least costly space in the district.

It is easiest to see the resultant effects by considering the location choices available to businesses that desire a location in a district where upper story space is in shorter supply relative to demand. One option would be for them to continue to stay in the district and to pay more for an upper story location there. Because in many districts ground floor rents are generally higher than upper story rents (see Table 14), businesses that want to locate there would find that it often would make most sense to pay more for upper story space than to locate on the ground floor and pay still higher rents. While the gap between upper story and ground floor rents would narrow over time, the difference is large enough in many districts so that upper story rents could increase substantially before it made sense to pay for ground floor space. In some of the more active districts choosing ground floor space would not be an option because ground floor rents would be too high for many businesses.

The other options would be to locate in upper story space in another district where more space would be available and rents would be similar to or lower than those in the preferred district. As shown by the examples in Table 14 there is similarity in upper story rents among many districts. A business would probably want to pay less rent for a location in another district if it were not its preferred location. Another choice would be to locate in ground floor space in a less active district where ground floor rents might be lower than upper story rents in other districts. This choice partly depends on whether the business finds a ground floor location acceptable. Where ground floor locations are acceptable, competition for ground floor space would increase.

Thus, if one were to array the location choices according to rents and availability of space, two types of situations are likely to arise. One is that businesses preferring an upper story location in a particular district might find it made most sense to pay more for that location. If no space were available, they then might accept an upper story location in another district at a lower rent or possibly accept a ground floor location in another district, also at a lower rent. A ground floor location in the preferred district may be the most costly, and least likely, option. This is would be the case in the more active retail districts.

The other situation is likely to be one where it made sense to pay more for an upper story location in the preferred district, but if that were not available to then pay more for a ground floor location in that district. If no ground floor space were available in the district, the business would then pay less for an upper story or ground floor location in another district. This situation would apply generally for the less active retail areas.

Location choices depend on the type of business and the particular options available when the location decision is made. Although it is difficult to generalize, some comments can be made.

Many office businesses locate in neighborhood commercial districts to provide services to local residents and merchants. Doctors, dentists, attorneys, accountants, and realtors are examples of such service-oriented office businesses. Some of these businesses may consider different commercial districts to be adequate substitutes for one another, but other businesses may not. Those businesses that have few substitute locations (for reasons related to market area, customer characteristics, access, or personal preference) are more likely to pay higher rents for upper story space than to shift to other districts.

Some office businesses locate in neighborhood commercial districts to be near the residence of the owner or principal employees. To the extent it is important for business owners to locate their offices close to home, they may be more likely to pay higher rents for upper story space in their neighborhood than to seek space in other districts.

Among these businesses there are also differences in the acceptability of a ground floor location. Some, such as dentists or architects, may find the visibility and accessibility of the ground floor to be acceptable. These would tend to be the businesses with greater client traffic and greater preferences for light and visibility. Others would not generally desire a ground floor location, depending on the characteristics of a particular building. They would prefer the quiet and privacy offered by upper story space.

c. District Effects

The combined effect of individual business location decisions could result in district effects. For those districts where changes in the vertical mix controls result in less future commercial expansion on upper stories, rents for upper story space will probably be higher than they would have been. How much higher depends on the strength of demand for that location and on the difference between upper story rents and the rents of other acceptable options. Ground floor rents are unlikely to be significantly affected unless or until there is only a small differential in rents between upper and ground floor space.

There could also be effects on rents in other districts if businesses locate there because of the lack of availability of space or higher rents in the districts directly affected. These shifts could increase the demand for upper and/or ground level space in these other areas and could result in higher rents and more commercial activity at those locations.

Effects on the types of businesses, types of commercial uses and availability of goods and services in individual districts could also occur as a result of less expansion. In many districts, businesses now in upper stories were formerly located on the ground floor. When retail demand grew stronger, increased competition and rising rents resulted in many office and service uses moving into upper story space that had previously not been needed for commercial use. In the future, if such expansion is not permitted, these types of businesses would be faced with limited opportunities and higher rents as retail demand for ground floor space increases. In effect, the impact of the vertical controls would fall on those least able to pay higher rents.

To the extent that the office and service uses locate in another district or do not continue to do business, neighborhood residents and other consumers would have given up the convenience of having these services available nearby. Potentially, the price of the services which are still available could be higher.

The businesses involved could be affected. Those that pay higher rents could experience some loss in profitability compared to the situation without changes in controls. The significance of this effect would vary among businesses. Those that move to another district because they need more space for expansion or because they do not pay the higher rents may go through a period of readjustment where their sales are diminished until they become established in the new area. Those with already established clients in one district could find it the most difficult to move to another district.

Higher rents would raise the costs associated with starting a new business. This change could discourage some entrepreneurs. It is likely to have more effect on those with fewer resources or with limited ability to borrow funds.

Property owners could also be affected. Generally those with existing upper story commercial space would benefit since their property would be more valuable if rents were higher. Owners of the property which could not be expanded because of changes in vertical controls would be worse off. Since the value of non-commercial uses is generally lower than the value of commercial uses in commercial districts, property values without expanded upper story commercial would be lower than values with such expansion. This could be offset to the extent that the property had some existing commercial use (such as on the ground floor) and rents for that space were bid up as a result of the changes in controls.

Less commercial expansion could also increase pressure for the illegal use of residences for office purposes. By having the most effect on the least costly space in a neighborhood commercial district, some small businesses may prefer to operate in residences rather than in legal, and more expensive, office space. This could mean that more individuals would work out of their home and that there would be more renting of residential units for office use. The extent to which this occurs depends on enforcement as well.

In general, changes in vertical mix controls are unlikely to have a noticeable effect in preventing downtown "spillover" office growth in most neighborhood commercial districts. One reason is that downtown offices are unlikely to represent a significant portion of the neighborhood district office demand. Businesses that are located in the downtown (or that value a downtown location) do not typically consider neighborhood districts desirable alternatives. Characteristics of the neighborhood districts that discourage spillover demand include the small size of office spaces, relatively poor access, limited parking, and inadequate support services. Exceptions include the neighborhood districts on the fringe of the downtown area, such as Chinatown, North Beach, Hayes Valley, and Upper Market.

Another reason why the controls are unlikely to affect downtown spillover office demand is that those smaller businesses which might evaluate both downtown and neighborhood district locations are primarily those owned by residents who value the ability to work near their home. When changes in controls limit neighborhood options, these uses may be the most willing to pay higher rents. Particularly if the alternative is a downtown location which is probably more costly and which does not provide the proximity they value. Thus, as a group, they may be among the last to be deterred by higher rents in the neighborhood areas.

Effects on employment depend on the resultant location pattern of businesses and on whether some businesses no longer exist in the neighborhood districts. To the extent that businesses shift among districts, the distribution of employment would be affected, not necessarily the amount. The number and types of jobs in neighborhood commercial districts could be affected, however, if the types or number of businesses are affected. If there is less office and service business activity there could be less employment.

D. CHANGES IN CONTROLS WHICH COULD AFFECT THE TYPE, SIZE, AND LOCATION OF COMMERCIAL USES WITHIN DISTRICTS

Changes in zoning controls could directly affect the mix of uses in neighborhood commercial districts. These are the controls which regulate the type and size of commercial establishments that are permitted and the location of some permitted commercial uses.

1. Direct Effects Of Possible Changes In Controls

A number of zoning controls could affect the commercial uses permitted in a neighborhood district. Overall there are three types of effects which could occur depending on the controls adopted in individual districts.

One effect could be to limit the growth of certain uses in individual districts thereby preserving more locational options for other uses. The changes in controls which are most likely to have this type of effect would be to limit the growth of eating and drinking establishments, financial offices, and possibly other offices thereby providing more future options for other retail and service uses.

Another effect could be to limit the growth of certain uses for purposes of controlling nuisances associated with these uses in neighborhood areas. The situations where the most change could occur are probably in the controls regulating entertainment and eating and drinking establishments. The controls in many of the other categories, like automotive, laundering and cleaning, and trade shops for example, are likely to be translated into the new framework without changes.

A third type of effect could be to change the distribution of certain uses among neighborhood commercial districts within the city. The controls could be applied to restrict uses in some districts and allow them in other districts. It is possible that the controls would be selected to limit the expansion of larger scale uses and other specific uses in small and medium scale districts and allow them in the larger districts with larger lots, larger streets, and better access and transit. Whether economic impacts arise would at least partly depend on the extent to which there are areas where those uses restricted from some neighborhood districts could locate instead. Whether the desired shifts occur depends on the availability and acceptability (in terms of market conditions) of the locations where the uses are permitted.

Of the zoning controls which could have a direct effect on commercial uses, those where changes in controls are more likely to affect use mix include the density thresholds for eating and drinking establishments, the square footage per establishment controls for larger retail uses and offices, the use controls for financial offices, the aspect of the vertical mix controls which differentiates among retail, personal service, and office uses by floor, and the combination of the use and size controls which affect entertainment uses. The potential direct effects of changes in these controls are discussed in the following sections.

a. Density Thresholds For Eating And Drinking Establishments

Density thresholds specifying the number of establishments permitted in a neighborhood commercial district could be applied to eating and drinking establishments. Separate thresholds could be adopted for bars, full-service restaurants, self-service restaurants, take-out food establishments, and off-sale liquor stores. The threshold would have a direct effect on the number of eating and drinking establishments in a particular district if there are fewer such establishments with a new threshold than there would have been without it.

The density thresholds could also have a direct effect on the number of other commercial uses in a district. If the number of eating and drinking establishments were limited, there would be more other uses than there would have been, assuming the same amount of commercial space within the district.

When there is a specified number of permits allowed in a district one issue that arises is who has claim to the permit, the property owner, the tenant, the district, or a particular tenant at a given site (in which case there is a lack of transferability). There are different economic implications of each. It appears that the permit would go with the space and to the property owner, as is the situation for permitted uses in general. This arrangement facilitates the City's evaluation of the appropriateness of uses for particular locations and buildings. It also facilitates the ability of landlords and tenants to invest in equipment and building improvements since the permit would be transferable to other individuals who might buy the building or the business or to a business who might replace an existing tenant. Under this arrangement, the owners of property with permits for eating and drinking establishments would be the ones who could benefit once the threshold was reached. If demand continues strong the value of locations with permits could rise.

The system of density thresholds is likely to provide more certainty as to the policies applicable in a particular district than would the use of conditional review without thresholds to achieve the same result. From this perspective the use of density thresholds could be preferable to property owners and merchants.

The use of thresholds could present difficulty in responding to changes in consumer preferences and changes in competition elsewhere in the city. Inability to respond to market changes could present problems in keeping neighborhood districts viable since commercial activities are very dynamic. For example, thresholds could be adopted in a neighborhood to establish a particular mix of shops and restaurants and bars. Over time, assume that the viability of shops relative to restaurants declines due to changes in the population in the neighborhood and to increased competition from shops added in a nearby area. In this situation, the threshold restricting more restaurants would be contrary to market factors and could affect the district's overall viability. Another such situation could arise where changes in preferences might support a greater number of smaller eating establishments and fewer larger ones so that the density threshold could limit the ability to make this adjustment. This situation could arise if daytime lunch business became more important relative to evening dining, for example. The proposed system would not necessarily preclude these adaptations since it is proposed that establishments in excess of the density threshold be treated as conditional uses. Then, the question is whether market criteria would be among those used to evaluate conditional uses. In practice, this becomes difficult, however, because of the lack of accessible data to establish changes in market trends.

b. Square Footage Per Establishment Controls For Retail Uses

Changes in controls on square footage per establishment could affect the size and type of retail stores permitted in a district. Depending on whether square footage controls were adopted for any given district, the locations and space available for large space users could be limited while the options for smaller space users could be expanded. The differences among space-using categories for retail establishments relate primarily to type of merchandising and to some extent they also relate to type of goods sold and price. The larger stores offer a variety of goods which could also be offered in several smaller stores. However, smaller store retailing generally also offers more personal service and sometimes higher prices, partly as a result of the service and of their volume of business. Generally, grocery, drug, variety, discount retail, and furniture/appliance stores are the larger retail space users.

Changes in controls which limit larger retail stores in districts would not necessarily result in differences in the volume of commercial activity (sales or shoppers per square foot space) in neighborhood commercial districts. For example, one large establishment may not generate more activity than several small establishments using a similar amount of space. Further since the larger establishments often see an advantage to having parking on site, the mix of smaller stores could actually result in more space devoted to commercial use. It is true that the large selection (and often lower prices) offered by some larger establishments is a major attraction for shoppers, particularly if the larger store is a branch of a well-known chain. However, a large group of smaller stores may be able to provide a large selection of a mix of goods and services in one place which could offset the advantages of the larger, single establishment. Because of the importance of types of goods sold and type of commercial district, it is difficult to generalize as to the effect of the size control on the level of commercial activity in a district.

c. Vertical Mix Controls[*] And Commercial Uses Permitted By Story

The vertical mix controls determine the uses permitted on various stories of a building. Depending on the controls adopted, vertical mix could affect the types of commercial uses in a district. It could limit some uses and provide more locations for other uses. It could also affect the location of various uses among stories.

Potentially, retail could be not permitted on the upper stories. This change would have effects in only the most active retail districts. Generally retail uses locate on the ground floor. Office use could be not permitted on upper stories. In the less active districts, restrictions on office use on the upper stories would have less impact than in the more active areas. Personal services could be affected by restriction from second story locations.

d. Use Controls For Financial Offices

Changes are proposed so that offices would be categorized for zoning purposes as financial offices and other offices instead of being grouped as either professional or business offices. This would provide the ability to directly regulate financial offices. The result could be less growth in their numbers in some districts, limits on their expansion in locations where they disrupt the pedestrian scale and continuity of foot traffic along storefronts, and possibly effects on facade treatment and architecture through conditional review. It is also possible that the square footage per establishment controls could affect the size of financial institutions. Since financial offices tend to seek central, corner locations, more of these types of locations would be available for other uses if there were limits on expansion as a result of changes in controls.

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[*] The term "vertical mix" refers to the controls for permitted uses on upper stories. The notation used in the neighborhood commercial district control table (Sections 710-713) is explained in Section 706.0(c). These Sections are presented in Appendix A.

e. Use, Size, And Vertical Controls For Other Offices*

A combination of controls could affect whether office uses can expand in a district by determining if they are permitted, on which stories they are permitted, and the allowable size of office establishments. The vertical mix controls are likely to have the most effect on offices in districts where they tend to locate on the upper stories. The size controls could affect the type of office uses that exist in a district when upper floor offices are permitted. However, few upper story spaces that exceed the thresholds would exist in districts where even the most restrictive size controls (up to 2,500 sq. ft) are likely to be applied.

f. Use And Size Controls For Entertainment Establishments

Entertainment establishments might also be affected by the proposed square footage per establishment and permitted use controls. There has been much concern about the effects of some of these uses in neighborhood commercial districts. If a separate neighborhood commercial district were established, it would be possible to designate these uses as not permitted or as conditional uses in that district. These uses might also come under regulation by the proposed square footage per establishment controls if they were proposed to be large in size.

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*This effect overlaps with the discussion in the previous section of the potential effects of limiting the expansion of commercial use in upper story space. Since offices are the primary upper story use, they would be the most affected. They are discussed again here within the context of those controls which could directly affect the type, size, and location of retail, office, and personal service uses. It is possible that office expansion could be limited thereby providing more location for retail and/or personal service uses. This could occur without effect on the amount of overall commercial expansion (which is the topic of the previous section).

g. Use And Size Controls For Other Uses

The use and/or size controls could affect the location of many other uses. Separate zoning categories are proposed for other commercial uses (automotive, hotels and motels, animal services, for example), for wholesaling and light manufacturing, for other uses (nursery, mortuary, utility, etc.), and for institutions. Generally, it does not appear that changes in zoning controls in these categories would significantly limit the locational options for most of these uses. The demand for many of them is weak in neighborhood commercial districts or the existing development pattern is such that many do not find it advantageous to locate there (rents are already too high, conflicts with existing uses would arise, etc.). The exception may be institutional uses including hospitals, clinics, colleges, and child care facilities.

2. Indirect Effects Of Differences In The Mix Of Commercial Uses

The preceding section identifies the potential effects of changes in zoning controls on the type, size, and location of commercial uses within neighborhood commercial districts. This section considers the implications of such changes if they were to occur.

a. District Effects

Faced with differing abilities for different uses to expand in various neighborhood districts the distribution among districts of types and sizes of uses could be affected. Some districts could have more of some uses (small shop retail and personal services) and less of other uses (eating and drinking, financial and other offices, entertainment). Some districts could have more overall commercial activity because of shifts there by certain uses (eating and drinking, financial and other offices, entertainment). Other interdistrict effects could occur so that some districts have more smaller-scale uses than might have existed there (often more specialty retail oriented) and other districts could have more larger-scale uses. Some districts may not be significantly affected.

The extent to which shifts occur depends on the types of uses affected, the substitutability of available options, and the extent to which zoning controls change in districts throughout the city (cumulative perspective). There are four factors to consider. One is the extent to which changes in zoning controls affect the mix of uses in individual districts. There is likely to be more effect in small and medium scale districts with strong market support for eating and drinking establishments and for upper story commercial uses. The second factor is the number and characteristics of larger scale, highly accessible districts where most types and sizes of uses are permitted. The third is the number and characteristics of less active, smaller districts where there is potential to add uses of the types restricted in other districts. And the fourth is the extent to which certain uses could locate outside neighborhood commercial districts. For example, the downtown area might offer potentials for some entertainment, eating and drinking, or office uses. Similarly industrial area locations might be acceptable for larger space users less concerned about patron accessibility.

b. Effect On Uses

Situations where there are fewer location options for certain uses could result in higher rents for the space that is available. For uses that are limited in districts which continue to remain desirable, existing uses of similar type could become more valuable than they might have been. Increased competition for limited locations in a district could result in higher rent-paying, possibly higher volume, tenants. If so, the type of tenant (within a use category) could be affected. For example, limits on the addition of restaurants in a district where they are popular and where demand for eating out is growing could result in some turnover of restaurants that might not have occurred or could at least speed up the process of turnover. Locations on the periphery of that district which might have been less desirable could become more desirable if they are now among a limited number of sites for restaurants. This could speed up the process where a small coffee shop, for example, is replaced by a more active dinner house restaurant. Similar effects could occur for other types of uses. This is sometimes contrary to what might be expected from limits on growth of certain uses. Sometimes limits are considered with the expectation of slowing growth or keeping out competition from higher volume uses. However, in desirable areas, the limit on supply tends to ration the available locations which could make it more difficult for the lower-volume uses to compete.

Limiting growth in the number of uses or in the space devoted to certain uses does not necessarily limit the growth of sales, shoppers, and traffic by a similar amount. If demand is strong and increases for the available locations, commercial activity (sales, shoppers, traffic) increases within the existing space (activity per square foot space). Thus, there could be growth in commercial activity even if there is a limit on the growth of the space devoted to that use.

The effects of limited expansion are unlikely to spill over to other uses in the district given the nature of the controls. To the extent that the controls are effective, there would be more options for other uses. This would result in less competition for space and less upward pressure on rents for these other uses. This could slow the process whereby higher volume uses replace lower volume uses in popular commercial areas. However, the changes in zoning would not necessarily provide for the retention of certain tenants or uses. For example, it would not preclude changes in tenants or uses that would occur because of changes in tastes and shopping preferences or changes in demographic characteristics of the population.

c. Other Effects

Many of the other economic implications will vary by use category as well as by district. Property value effects would generally follow rents. Properties in greater demand by certain uses and with higher rents would also have higher values. Conversely, properties for which competition is lessened will have lower values than they would have had.

Employment impacts tend to follow effects on volume of business, type of use, and type of merchandising since the concern in this section is with the uses within a given amount of space. Generally smaller shop retailing has greater employment per square foot of space than larger retail establishments so that smaller uses in the same amount of space could support more employment than larger uses there. However, eating and drinking establishments generally have more employment per square foot than retail and service uses. More of these latter uses could mean somewhat less employment in the same amount of space.

Effects on the profitability of businesses would generally follow rent levels. If rents are higher for certain uses because of the controls, the cost of doing business for these types of uses will be higher to the extent that the higher rents are not offset by greater sales volume. Lower rents would reflect lower costs of doing business in a district. The different types of businesses would be affected differently depending upon whether the changes in controls increased or decreased the location options available to them.

E. CUMULATIVE PERSPECTIVE

The previous three sections consider the direct effects of changes in zoning controls on new construction, commercial expansion in existing buildings, and the types, sizes, and location of commercial uses within districts. Each section also discusses the indirect effects of differences in each of these three factors. The assessment of economic impacts is not complete until consideration is given to the possibility of differences in more than one of these factors and to the overall citywide perspective. This section addresses these two topics.

1. Combined Impacts of Differences In Commercial Space and Commercial Uses

Each of the three main questions about economic impacts has different implications for neighborhood commercial districts. There is also overlap among these effects to the extent that there are impacts of more than one type.

The effects of changes in zoning controls on new construction and on the expansion of commercial space in existing buildings tend to have similar types of indirect effects. The implications of each arise from less commercial space for expansion of commercial activity in a neighborhood commercial district.

The discussion of the effects of more or less new construction (section B) describes the general implications of less supply of space relative to demand for locations in a particular district. The discussion of the effects of less commercial expansion in existing buildings (section C) describes the implications of less upper story space and the resultant increases in competition for existing space. This second discussion is a more specific application of the types of indirect effects described more generally under the first section. Differences of both types could occur in the same district. If they did, the combined effects are likely to be greater than if only one type of change occurred.* Thus, the outcome of each impact affects the other. And, together, impacts on the expansion of commercial space indirectly affect the mix of commercial uses in a district.

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*It is also possible (although not as likely) that changes of each type could occur to offset or mitigate potential effects. For example, if controls were changed to allow more expansion of commercial space in existing buildings (by changing vertical mix controls in special use or RC districts), this could result in more expansion of space than might have occurred, thereby somewhat offsetting the effects of less new construction from changes in other controls (such as rear yards).

The third type of impact from changes in controls directly affects the mix of uses in terms of the types and sizes of permitted uses and their possible locations within a district. The indirect effects (discussed in section D) arise because of the rationing of commercial space among uses whereby some uses have more options and others have fewer options. If, in one district, differences in the amount of commercial space and in the ability of various uses to locate in that space both occurred, the combination of both affects should be considered when identifying economic impacts. These effects could combine to cause greater impacts or they could tend to offset each other. For example, less expansion of upper story space (in existing buildings and/or through new construction) could be combined with controls that did not permit new uses of the types which seek upper story locations (such as offices) to more severely limit location choices for these uses within a district and to greatly increase the desirability of existing locations for such uses. In this case, the combination of effects would result in greater impacts. Another example would be a situation where permitted use controls limited the expansion of some uses thereby increasing the options for other uses within the available space. The benefits of less competition for the available space could be offset, however, by controls which resulted in less expansion of commercial space.

Because of these interactions between controls and their direct effects, economic impact analysis must first consider differences in each of the three major categories and then consider the extent of effects of more than one type.

For assessing economic impacts, the relative importance of different controls or of different economic effects depends on the particular district and on the changes in controls that are proposed. Generally, the effect on expansion of commercial space within existing buildings is likely to be more important to overall commercial expansion in most districts than is the effect on new construction. This is primarily because most districts are already largely developed and the costs of converting existing space are likely to be lower than the costs of constructing new space. Further, the charm and scale of the existing, older buildings are often very important to the attractiveness of locations in many districts. Effect on new construction could be more important over the longer term as private redevelopment becomes more feasible. It could also be more important in those districts where new development could significantly increase the building space on a site. Second to the effect on expansion of commercial space in existing buildings, the effects of controls on the mix of commercial uses are likely to be the next most important in most districts where changes in permitted uses are proposed.

2. Citywide Perspective

As explained throughout this chapter, changes in zoning controls in one district could result in shifts of commercial activity among neighborhood commercial districts and perhaps in shifts between neighborhood districts and other commercial areas in the city. The extent to which shifts occur depends on the particular districts and the commercial activities affected by changes in controls, on the substitutability of other available options, and on the extent that zoning changes occur in districts throughout the city.

As a result of changes in zoning controls in neighborhood commercial districts, the following could occur:

- Some districts could have less commercial activity than they would have had;
- Some districts could have more commercial activity than they would have had;
- Some districts could have more of some uses and less of other uses;

- Some districts could have a different scale of uses and development (more smaller or larger establishments); and
- Some districts may not be significantly affected.

The resultant differences in commercial activity in districts throughout the city represent the cumulative citywide economic impacts of changes in zoning controls. It is not possible to identify citywide impacts without first evaluating proposed controls for individual districts and then considering how districts throughout the city are affected.

In general, one of three situations would result. One could be that most districts in the city are not significantly affected either because very few changes in controls are proposed or because most changes are unlikely to have much impact. In this situation there would not be significant citywide economic impacts.

Another situation could be that the overall distribution of commercial activity among neighborhood commercial districts in the city is different than it would have been without changes in zoning controls. In this case there could be districts in several of the categories listed above (with more activity, with less activity, with more of some uses and less of other uses, with smaller or larger establishments, etc.). The overall result, however, would be a similar total amount of commercial activity even though it is distributed differently throughout the city. There would be economic impacts at the parcel, district, and interdistrict levels, but there would not be overall citywide economic impacts. For example, there could be differences in the goods and services available in some districts although the same range of choices would be available somewhere in the city.

The third situation which is possible would be that along with a different distribution of commercial activities there could also be differences in the total amount and types of commercial activities within the city. In this case there would be economic impacts from the citywide perspective as well. For example, there could be differences in the range of goods and services available in the city, differences in the total amount of commercial activity, and differences in overall, total employment in neighborhood commercial districts.

Depending on the outcome in individual districts and throughout the city one of the three situations identified above will result.

In evaluating economic impacts, some impacts are most appropriately considered from the cumulative citywide perspective. Other impacts are more appropriately considered at the district level since different individuals are affected in different districts even though the effects seem to "balance off" from the citywide perspective. The following list summarizes how different interests in the community could be affected and highlights the relevance of the district or citywide perspectives:

- Effects on merchants arise primarily at the district level. Differences in commercial activity or in rents affect the profitability of doing business in a particular district. Because of shifts in activity, merchants in some districts will do better and those in other districts will not do as well. Overall citywide differences in rents and commercial activity could also affect the cost of doing business throughout the City. Similarly the ability to relocate, expand, or start a new business can be affected in certain districts or citywide.

- Effects on property owners arise from district impacts. Some owners would have higher property values and others will have lower property values. Even if these "balance out" from the citywide perspective different individuals are affected differently.

- Effects on neighborhood residents arise from district impacts. These include differences in the choice of goods and services conveniently available in the neighborhood district and differences in the amount of commercial activity in the district which could affect the adjacent residential areas.

- Effects on consumers, in general, are more appropriately considered from the citywide perspective of the goods and services offered in the city and whether the overall range of choices is affected. The convenience of certain locations over other locations is a matter of district effects, however.

- Effects on labor force members in terms of the number and types of jobs is best considered from the citywide perspective. Generally, the particular district where employment is offered is not nearly as important as the number and mix of types of job opportunities available throughout the city's neighborhood commercial districts.

- Effects on taxpayers and government service agencies in terms of different tax revenues are more appropriately considered form the citywide perspective. For these effects, lower property values or sales tax revenues in one district could be offset by higher values and sales in other districts since all funds are combined citywide. Different total collections have an effect on taxpayers and government operations.

CHAPTER VII

PRACTICAL METHODOLOGY FOR INDIVIDUAL DISTRICTS

This chapter presents a practical methodology for assessing the economic impacts of specific controls proposed for individual neighborhood commercial districts. Of necessity the approach is somewhat generalized to be applicable to the many different neighborhood commercial districts throughout the city. The methodology could be refined and adapted to specific situations as needed. It is anticipated that Department of City Planning staff will use this methodology to assess the economic impacts of proposed controls for individual districts.

A. APPROACH

The methodology is organized by zoning control category and by the three economic impact questions described in Chapter VI. Beginning at the district level, matrix charts (referred to as district worksheets) have been developed for use in testing the effects of proposed zoning controls. First, consideration is given to whether the proposed control represents a change in zoning. If there is a change, a number of conditions are listed. These conditions identify the change which is proposed and various land use or economic characteristics of the district which influence whether economic impacts occur. By selecting the set of conditions which applies in the particular district under evaluation, impact ratings can be selected. The following scale is proposed:

NC = No change in controls
N = No impact likely
P = Possible impact
S = Potential significant impact

For each rating for each control, a summary of the economic effects is also presented in the chart. The reasoning and explanation behind these conclusions are included in the discussions in Chapter VI. The results of the district level evaluation can be summarized by a listing of the impact ratings and associated effects.

The next step is to consider the possibilities of shifts in activity among districts. Since that process is very difficult to model, the approach here is to group neighborhood commercial districts which have some similar characteristics and to consider the potential effects of changes in controls in one district on other districts in the group. It also includes consideration, to the extent possible, of the combined effects of the controls proposed for more than one district in a group.

Of necessity, the approach is qualitative in nature. Very little quantitative information is available for the many individual districts throughout the city. Generally the conditions in the methodology refer to physical and land use characteristics of the districts. Much of that information is included in the Department's land use inventory of neighborhood commercial districts. The criteria also refer to levels and types of commercial activity. These are often relative measures among districts and are more judgemental.

Throughout, it is important to remember that the economic impacts of the rezoning are defined as the differences attributable to changes in controls. Thus, if certain controls do not change, there is no impact. If there are changes, descriptions of the impacts are provided (in terms of more, less, higher or lower) for comparing what would occur under the new controls with what would have occurred without that change. The methodology does not include the forecasting of what would occur under each zoning control option. Instead it first identifies the changes and then considers the differences in impacts which would result. This is the only practical and workable approach.

In some situations, decisions are needed regarding whether the proposed controls represent a change. For example, the effect of the current rezoning could be to make permanent the existing special use overlay district controls without changing the existing interim controls. This could be considered as no change in existing controls or as a change from the base district controls (C-2, CM or RC). The methodology can be applied either way or for both situations depending on how the impacts are to be viewed.

The sections which follow present and explain the procedures of the methodology. The next section identifies the types of information that are useful. It is followed by the procedures for evaluating district impacts. The last section then describes an approach for considering possible shifts in activity among neighborhood commercial districts.

B. DISTRICT INFORMATION

Certain information about each district would be useful in assessing impacts. The district worksheets refer to various characteristics of districts as the basis for deciding if impacts are likely to occur. The consideration of shifts among districts also refers to district characteristics as the basis for identifying similarities and differences among them. Information about each district will also be useful in summarizing the activity in the district and why various impacts are or are not expected.

The list which follows identifies the types of information about district characteristics which are useful. The list is divided into two groups. The first group includes information items which should be relatively easily accessible and the most useful. The second group includes information which could add to the description of activity in a neighborhood commercial district, but which may be more difficult or more costly to obtain. It is anticipated that many of the factors on the first list can be summarized from the City's existing land use inventory. Information about other factors can be filled in as feasible using more qualitative information and judgements by those familiar with each area. Not all of the items on the list are necessary for the economic impact assessment. Other similar types of information may also be useful.

First Priority Information:

- overview of mix of land uses
- number of uses by type in ground floor locations
- number of uses by type in upper stories
- characterization of principal store/establishment types (primarily convenience goods; specialty shops with eating and drinking places; mix of retail, offices, services)
- recent changes in mix of uses and types of stores/establishments
- characterization of shopping orientation of district (primarily neighborhood residents; combination of neighborhood residents and citywide shoppers; primarily city, regional, and tourist shoppers)
- most active times (day, night, weekday, weekend)
- existing scale of buildings (heights, number of stories)
- lot sizes
- presence of vacant storefronts
- number of vacant lots
- street system (two lanes, parallel parking; four lanes, parallel parking; four lanes, diagonal parking; four or more lanes, no parking)
- parking resources (on-street parking only; limited off-street parking; extensive off-street parking)
- transit accessibility (major city or regional routes; general city routes; few or no city routes)
- regional access (on regional auto routes, within close proximity to regional auto routes; limited regional access)

Lower Priority Information:

- typical rents for ground floor and upper story space
- qualitative characterization of surrounding neighborhood and of recent changes (considering income, age, or ethnic characteristics).
- qualitative description of recent changes in commercial activity in district (recent upgrading and strong increase in activity; just beginning to become more active, very active but stable; very inactive and stable; recent decline in activity of one type or another; etc.)
- important influences on district commercial activity (near downtown; hospitals or colleges nearby; near performing arts center; etc.)

C. DISTRICT WORKSHEETS

The first phase of the economic impact assessment is to evaluate the controls proposed for individual districts. The worksheets to be used for this purpose are presented at the end of this chapter.

The worksheets are divided into three groups corresponding to the three major questions regarding economic impacts:

I. Will proposed controls have an impact on new construction?
II. Will proposed controls have an impact on commercial expansion in existing buildings?
III. Will proposed controls have an impact on the type, size, and location of commercial uses?

There are separate worksheets for the controls which could have a significant effect on each of these issues. In total there are thirteen district worksheets. In some cases the same control is evaluated under more than one question. The organization and approach follows that used for Chapter VI and summarized in Figure 2. The following is a description of how to use the worksheets.

Starting at the far left, the first step is to determine if the proposed control represents a change in zoning. If not, the impact rating comes from reading across the first row in the charts. If it is a change, then the various sets of conditions should be reviewed to identify which group is most applicable for the district under evaluation. The impact rating and description of effects is presented by reading across the row to the right of the appropriate set of conditions.

For example, consider the case for the control regulating residential off-street parking on District Worksheet I-3. If the control does not change then the impact rating is NC for "no change in controls." If the control is changed in a typical district with small lots (around 2,500 sq. ft.) so that fewer spaces would be required per unit. read across the second row to find the impact rating N for "no impact likely." The rest of the comments across the row explain this rating.

The six worksheets concerned with the questions of impact on new construction have two columns explaining the impacts. The column titled "feasibility implications" identifies the impact at the site level and from the perspective of the property owner and/or developer in terms of effect on return from new construction. The column to the right, titled "district effects," identifies the significance of the impact in terms of potential differences in new construction within the district. The impact rating refers primarily to the district effects. It should be recognized that the feasibility of constructing certain uses may be significantly improved although a large amount of new construction may be unlikely. Both aspects represent economic impacts. The amount of new construction is used for the impact rating because it provides a better indication of what would actually occur in the district. This has further implications in terms of commercial rents, types of uses, and employment. District effects are also the ones evaluated for the other two questions addressed. Thus, the ratings are comparable for all the worksheets.

The particular sets of conditions shown on each worksheet were intended to include situations where the impacts could be most significant and those which generally apply to most types of districts in the city. In some cases, further consideration may be needed for specific situations if the conditions listed on the worksheets do not appear to apply. These should be recorded as needing further review.

Generally, the first item listed under "conditions" refers to the type of change made in the control. Usually it specifies the requirement of the proposed control. It is difficult, however, to evaluate the impacts of a change in zoning where the proposal is for conditional use since permit decisions will be handled on a case-by-case basis and cannot always be predicted. Thus, it may not be possible to identify an impact rating in situations where conditional use is involved. Instead, the rating could be recorded as "uncertain" and a range shown between the no change situations (NC) and the case where the conditional use is either permitted or denied (not permitted) depending on the nature of the proposed change in controls.

The results of the evaluation of proposed controls using the district worksheets can be summarized in chart and/or text form. The impact ratings could be summarized in a chart. Where impacts are likely, the listing of effects from the worksheets could be presented in chart or text form to summarize the types of impacts. If further explanation is needed for the impacts or for why they are expected to occur, excerpts from Chapter VI could be provided. In addition, references to particular characteristics of an individual district (such as from the information items listed earlier in this chapter) might provide further description and explanation.

D. INTERDISTRICT EVALUATION

Having completed the district worksheets the next phase is to consider the interdistict perspective. As previously explained, changes in controls in one district could result in shifts in commercial activity to other districts. Shifts among districts could result in a different overall pattern or level of citywide commercial activity.

There are two aspects of the interdistrict evaluation. One is to consider how changes in controls in one district could affect commercial activity in other districts. This can be done as a part of the evaluation of proposed controls for an individual district. The other is to consider the combined effects of controls proposed for several districts. This evaluation could be done if controls were proposed for several districts at one time. This evaluation may not be possible if the establishment of individual districts and controls is done one-by-one.

The approach described below applies to either type of evaluation. It involves the grouping of districts and comparison among them.

1. Grouping of Districts

First, a listing of neighborhood commercial districts should be developed and the districts grouped to identify those among which shifts could occur. This is done best by gaining a consensus judgement from those who are familiar with the districts. The grouping should be considered from the perspective of a business which had difficulty finding space in a preferred district and which must then consider where else to look for space. It can also be considered from the perspective of a realtor who is looking for space for a client. The districts which should be grouped together are those which are similar in terms of the following:

- general mix of uses,
- types of goods and services offered,
- physical scale and development pattern,
- general location in the city,
- types of consumers served, and
- market orientation (immediate neighborhood, neighborhood and larger area, citywide).

A sample grouping of selected districts is shown in Figure 3. On this list, several districts are included in more than one group when a district seems to have similarities with districts of different types. Other groupings could be used, and the sample list could be expanded.

2. Evaluation of Interdistrict Shifts

Having grouped the districts as described above, consideration of shifts is done on a comparative basis. Beginning with the impact ratings from the district worksheets, possible shifts among districts are considered. If there would be no changes in the controls proposed for a district

FIGURE 3

SAMPLE GROUPINGS OF SELECTED NEIGHBORHOOD COMMERCIAL DISTRICTS

For Use In Considering Interdistrict And Citywide Impacts

Union
Sacramento
Upper Fillmore
Laurel Village
Chestnut
Upper Polk
Inner Clement

Castro
Upper Market
Polk

Castro
Upper Market
24th - Noe

24th - Noe
Haight

Van Ness
Lombard
Geary

Clement
Geary

Haight
Cole
Stanyan

24th - Mission
Mission
Valencia

(rating NC) or if changes are not likely to generate impacts (rating N) then there would not be shifts in activity among districts because of rezoning. However, if there are changes proposed which could have impacts (ratings P or S), shifts could occur. The grouping of districts would identify the other districts that are the most likely to be affected by such shifts. The process could be a simple one of evaluating the impact ratings and reporting in a brief text description, the other neighborhood commercial districts to which commercial activity might shift because of the adoption of the controls proposed for the district under evaluation.

In considering shifts, it may be useful to review the discussions in Chapter VI which describe the process of interdistrict shifts. The impact ratings for the district under evaluation provide an indication of the likely extent of shifts. For example, if there are several ratings indicating possible significant impacts (rating S) in a very active district or one where activity has been growing substantially, shifts in activity to other districts would be likely. If most ratings indicate possible impacts in a moderately active or less active district, then shifts in activity with significant effects in other districts would be much less likely. Similar reasoning would apply to other possible situations.

Where shifts are likely, some consideration of the characteristics of the other districts in the grouping could be useful. For example, among several districts within a group, commercial activity would be more likely to shift to the district which is most similar and/or located closest to the district under evaluation. Similarly, shifts would be more likely to affect the district which is similar and which has the most potential for expansion. This type of evaluation can be done qualitatively based on familiarity with the commercial districts in the group. Information like that listed earlier in this chapter might also be useful for the other districts in the relevant group, although data collection efforts for only this purpose are not necessary and may not be justified since the assessment is basically a judgemental one.

Having considered possible interdistrict shifts of proposed controls in one district, it is then possible to consider the combined effects of rezoning proposals for several districts. This involves reviewing the extent that impacts are expected for more than one district within a group and the extent that impacts of various types have been identified for several groups of districts citywide. As described previously, this level of evaluation may not be possible if districts are proposed and evaluated one-by-one. Even if rezoning is done on an individual basis, it may still be useful to keep track of previous decisions on a cumulative basis when evaluating the next, new proposal.

The approach for cumulative evaluation is similar to the interdistrict approach described above. Basically, if impacts (ratings P or S) are identified for only a few districts, it is likely that shifts would occur and the overall extent of effects on commercial activity, rents, etc. would be less than if impacts were likely for many or most districts in a group or in the city. The grouping of districts helps identify where the shifts would probably occur. If the comparisons indicate that certain impacts are likely in many of the city's districts, then the potential effects in any one district could be greater and there could also be citywide impacts.

If it turns out that impacts are identified for few districts, the groupings can be used to identify the other districts to which there could be shifts of activity. As described above, the summary effects from the district worksheets and the discussion in Chapter VI provide the basis for identifying the effects that are likely to occur. For these types of situations, there could be impacts at the district level for both the districts where the zoning controls change and the other districts where commercial activity is also affected (such as the other districts in a grouping). There could be a different overall citywide pattern of activity (different distribution and perhaps different mix of types of uses) but it is unlikely that total city activity would be significantly affected.

If the comparison among districts indicates that impacts are likely in many districts, then further considerations may be needed. First, the extent of impacts in each question or issue area should be considered to see if there are differences among them. Second, the extent of impacts among district groupings may have to be considered at a higher level of grouping (for example, if all districts in one group are affected). This situation would indicate that significant interdistrict effects could be likely, that the effects within the districts involved would be more significant, and that citywide differences in the level of commercial activity could result.

The results of both the interdistrict and citywide evaluations can then be summarized in chart or text form. The product would be a qualitative description of the conclusions reached and of the key points of reasoning behind those conclusions.

NEIGHBORHOOD COMMERCIAL ZONING STUDY METHODOLOGY

WORKSHEETS FOR ECONOMIC IMPACT ASSESSMENT

DISTRICT WORKSHEET I-1

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Rear Yard

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control		
YES	• Grade-level rear yard required for commercial • Small lots • District has few grade-level rear yards	S - Potential Significant Impact	• Will reduce significantly the feasibility of commercial construction by diminishing returns from grade-level commercial • Unlikely to deter construction activity entirely on vacant lots • Could cause new construction to be infeasible where would replace existing developments with no grade-level rear yard or with more rentable space than allowable under changed controls	• Could reduce amount of commercial space added to district • Could lead to higher rents for commercial space
YES	• Grade-level rear yard required for commercial • Small lots • District has many grade-level rear yards	P - Possible Impact	• Will reduce feasibility of commercial construction by diminishing returns from grade-level commercial • Unlikely to deter construction activity significantly • Could cause new construction to be infeasible where would replace existing developments with no grade-level rear yard or with more rentable space than allowable under changed controls	• Could reduce amount of commercial space added to district • Could lead to higher rents for commercial space

CONTINUED

DISTRICT WORKSHEET I-1 (Continued)

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Rear Yard

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
YES	● Grade-level rear yard required for commercial ● Large lots	P - Possible Impact	● Will reduce feasibility of commercial construction by diminishing returns from grade-level commercial ● Unlikely to significantly deter construction activity, particularly for deep lots where full use as grade-level commercial is less frequent ● Could diminish interest in new construction on parcels with no grade-level rear yard	● Could reduce amount of commercial space added to district ● Could lead to higher rents for commercial space
YES	● Grade-level rear yard required for commercial ● Residential parking required ● Mixed-use construction ● Small lots	N - No Impact Likely	● Mixed-use construction unlikely to be feasible if parking required ● Effects on feasibility of commerical component are described on previous page	● No effect

CONTINUED

FRAMEWORK FOR EVALUATING ECONOMIC IMPACTS OF ZONING CONTROLS

DISTRICT WORKSHEET I-1 (Continued)

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Rear Yard

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
YES	• Grade-level rear yard required for commercial • Residential parking required • Mixed-use construction • Large lots	P - Possible Impact	• Will reduce feasibility of mixed-use construction by diminishing returns from grade-level commercial • Effects on feasibility of commercial component are described on previous page	• Could reduce amount of commercial space added to district • Could lead to higher rents for commercial space
YES	• Second-story rear yard required for commercial • Grade-level rear yard not required • Commercial permitted second-story use	P - Possible Impact	• Will reduce feasibility of construction by diminishing returns from second-story commercial • Greater negative effect on feasibility in district with strong demand for second-story space • Not likely to significantly deter construction activity • Could diminish interest in new construction on parcels with no existing second-story rear yard	• Could reduce amount of commercial space added to district • Could lead to higher rents for commercial space

FRAMEWORK FOR EVALUATING ECONOMIC IMPACTS OF ZONING CONTROLS

DISTRICT WORKSHEET I-2

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control		
YES	• No new commercial uses permitted on upper stories • Active commercial district with mix of retail, office, and service businesses • Existing upper story space occupied by some commercial and residential uses	P - Possible Impact	• Will reduce the feasibility of mixed-use projects by diminishing the returns from commercial • Although commercial on upper stories could provide more returns than residential, difference may not be large enough to significantly affect construction feasiblity • Prohibiting upper story commercial and requiring grade-level rear yards would have greater negative effect on feasibility of new construction • Mixed-use construction on small lots unlikely to be feasible if parking required • Could diminish interest in new construction on parcels with existing upper story commercial • Negative effect accentuated where strong demand exists for second-story commercial • Only for-sale housing likely to be feasible, and then only where demand supports higher prices	• Could result in less commercial space added to district • Could lead to higher rents for commercial space • Unlikely to result in large number of additional housing units

CONTINUED

DISTRICT WORKSHEET I-2 (Continued)

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
YES	• New commercial uses permitted on upper stories only if housing is not removed • Active commercial district with mix of retail, office, and service businesses • Existing upper story space occupied by some commercial and residential uses	P - Possible Impact	• Will not affect new construction on sites without existing housing • Could prohibit new construction on sites with existing housing • Might not affect feasibility significantly on sites with few existing units if housing required in new project, and market factors and other controls supported housing construction in mixed-use projects	• Could result in less commercial space added to district • Could lead to higher rents for commercial space • Could preserve existing housing units
YES	• No new commercial uses permitted on upper stories; or new commercial uses permitted on upper stories only if housing is not removed • Few properties have more than one story and/or demand for very weak	P - Possible Impact or N - No Impact Likely	• Could potentially affect only a few sites • If upper story commercial prohibited, then effect on feasibility same as case on previous page • If upper story commercial would remove housing, the effect on feasibility same as case above • No impact likely if no upper story properties that are not already commercial or if market demand does not support upper story commercial use	• Could result in less commercial space added to district • Could preserve existing housing units • Could have no effect

DISTRICT WORKSHEET I-3

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Residential Off-Street Parking

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control		
YES	• Parking required; fewer spaces required per unit • Small lots	N - No Impact Likely	• Even small amount of parking likely to render new construction infeasible	• No effect
YES	• No parking required for up to four units • Small lots	P - Possible Impact	• Will enhance feasibility of mixed-use construction; only when parking is not required will mixed-use construction be feasible • Only for-sale housing likely to be feasible, and then only where demand supports higher prices • Uncertain if off-street parking necessary for financing or marketing	• Unlikely to result in large number of additional housing units • Spending of additional residents likely to have negligible effect on sales activity • Could diminish availability of on-street parking
YES	• Parking required; fewer spaces required per unit • Large lots	S - Potential Significant Impact	• Will enhance feasibility of mixed-use construction • Feasibility improved if side or rear access available • Only for-sale housing likely to be feasible, and then only where demand supports higher prices • Uncertain if off-street parking necessary for financing or marketing	• Could result in large number of additional housing units • Spending of additional residents could have effect on sales activity • Could diminish availability of on-street parking

FRAMEWORK FOR EVALUATING ECONOMIC IMPACTS OF ZONING CONTROLS

DISTRICT WORKSHEET I-4

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Dwelling Density

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control		
YES	• Increase in allowable number of units per square feet of lot area • Small lots • 40-foot height limit • Off-street parking not required for four units or less	P - Possible Impact	• Where very small units are marketable, could increase feasibility of mixed use construction • Lot size limits opportunity to take advantage of increased density except where small units are marketable • New construction not likely to be feasible where would replace existing mulit-story development that includes ground floor retail	• Unlikely to result in large number of additional housing units • Spending of additional residents likely to have negligible effect on sales activity • Could diminish availability of on-street parking
YES	• Increase in allowable number of units per square foot of lot area • Small lots • 40-foot height limit • Off-street parking required	N - No Impact Likely	• Mixed-use construction unlikely to be feasible if parking required	• No effect

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DISTRICT WORKSHEET I-4 (continued)

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Dwelling Density

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
YES	• Significant change in allowable density (e.g. from one unit per 800 sq. ft. to one unit per 400 sq. ft.) • Large lots • Height limit exceeds 40-feet	S - Potential Significant Impact	• Lot size and height limits allow opportunity to take advantage of increased density • Will enhance feasibility of mixed-use projects • Feasibility improved if off-street parking controls changed to allow fewer spaces per unit • Greatest effect where demand supports new units in larger projects	• Could result in large number of additional housing units • Spending of additional residents likely to have effect on sales activity

DISTRICT WORKSHEET I-5

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Permitted Use

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	● If no change, no impact	NC - No Change In Controls		
YES	● Financial institutions changed from permitted use to conditional or not permitted use	S - Potential Significant Impact	● Financial institutions have accounted for much new construction in districts. Change in control could reduce likelihood of new construction	● Could result in less new construction than otherwise would have occurred ● Fewer financial institutions than might be supported by demand ● Could result in higher rents for permitted financial institutions
YES	● Existing number of eating and drinking establishments is equal to or exceeds density threshold ● Active commercial district with mix of eating and drinking establishments and other retail ● No major differences in rents between eating and drinking establishments and other retail	P - Possible Impact	● May not significantly deter new construction where demand exists for other retail uses ● Could have effect on reducing interest in new construction where little demand exists for additional other retail and stong demand exists for additonal eating and drinking establishments	● Could result in less new construction than otherwise would have occurred ● Fewer eating and drinking establishments than might be supported by demand ● Could result in higher rents for permitted uses

DISTRICT WORKSHEET I-6

QUESTION: Will Proposed Controls Have An Impact On New Construction?

ZONING CONTROL: Square Footage Per Establishment

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	FEASIBILITY IMPLICATIONS	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control		
YES	• Establishments over 2,500 sq. ft. conditional use • Small lots predominate in district • No vacant large lots	N - No Impact Likely	• Not likely to significantly reduce interest in new construction	• Unlikely to significantly affect the total amount of commercial space in district
YES	• Establishments over 2,500 or 5,000 sq. ft. conditional use • Mix of small and large lots • Good automobile access • Active retail district	P - Possible Impact	• Could deter some new construction • Effect on new construction likely to be greatest for businesses offering comparison and convenience goods	• Could result in more establishments than without the changed control • May not affect the total amount of commercial space in district
YES	• Establisments over 2,500 or 5,000 sq. ft. conditional use • Mix of small and large lots • Good automobile access, wide streets, parking available	S - Potential Significant Impact	• Likely to deter new construction • Most effect on feasibility of free-standing retail, office, institutional, entertainment, or automotive-oriented uses	• Could limit expansion of larger uses

DISTRICT WORKSHEET II-1

QUESTION: Will Proposed Controls Have An Impact On Commercial Expansion In Existing Buildings?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• No new commercial uses permitted on upper stories • Most properties have two or more stories • Active commercial district with mix of retail, office, and service businesses • Existing upper story space occupied by both commercial and residential uses	S - Potential Significant Impact	• Could significantly reduce opportunities for expansion of commercial space • Effects more significant if new office uses are not permitted in upper stories than if new retail were not permitted • Could result in greater demand for existing upper story commercial space • Could result in higher commercial rents, particularly for upper story space • Over time, could result in displacement of some service businesses and offices • Could increase illegal use of residences for office use • Property with existing upper story commercial would be more valuable relative to property without upper story commercial • Effects most significant in active districts where few options exist for expansion on ground floor, and in moderately active districts where commercial demand could grow substantially • Effects less significant in districts where few options exist for upper story conversion to commercial use

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DISTRICT WORKSHEET II-1 (Continued)

QUESTION: Will Proposed Controls Have An Impact On Commercial Expansion In Existing Buildings?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	• New commercial uses permitted on upper stories if housing is not removed; conditional if housing is removed • Most properties have two or more stories • Active commercial district with mix of retail, office and service businesses • Existing upper story space occupied by both commercial and residential uses	S - Potential Significant Impact	• Could reduce opportunities for commercial expansion where upper story housing exists • Could preserve existing housing units • Effects on commercial space more significant if new office uses are not permitted in upper stories than if new retail were not permitted • Range of effects similar to case above to extent that commercial expansion is limited • If commercial not permitted where housing exists, only ability to expand commercial would be to replace uses other than office, retail, or housing • Conditional review could allow some conversions thereby reducing impacts on commercial space
YES	• No new commercial uses permitted on upper stories • Few properties have more than one story and/or demand for upper story commercial is very weak	P - Possible Impact	• Limited upper story space diminishes opportunities for commercial expansion • Could result in somewhat higher commercial rents, particularly for existing upper story commercial space in active districts

DISTRICT WORKSHEET III-1

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Density Thresholds For Eating And Drinking Establishments

DOES PROPOSED CONTROL REPRESFNT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• Thresholds proposed; existing number of establishments equals, exceeds, or is close to threshold • Active commercial district • Active eating and drinking places in district; possibly recent additions of types regulated by thresholds	S - Potential Significant Impact	• Fewer eating and drinking establishments of the types regulated by thresholds; more effect in districts where growth of uses controlled by threshold has recently occurred • More competition for available locations for uses controlled by thresholds; increased rents for sites with permits • Higher property values for sites with permits • Potentially greater activity (sales, patrons) per establishment; could be somewhat less overall sales activity in district if fewer establishments • Residents may benefit from less activity at night; but would also have fewer eating and drinking alternatives in the neighborhood • More location options for other commercial uses
YES	• Thresholds proposed; existing number of establishments substantially below thresholds • Less active commercial district or district just beginning to increase in activity	P - Possible Impact	• Could eventually have effect on number of establishments of types controlled by thresholds; potential depends on extent to which threshold exceeds current number and whether district has more stable pattern or is just beginning to increase in activity; latter situation has more potential for impact • Similar effects to above once the threshold is reached

DISTRICT WORKSHEET III-2

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Square Footage Per Establishment

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• Conditional above 2,500 sq. ft. • Small lots and smaller storefront buildings • Active ground floor retail uses	N - No Impact Likely	• No significant effects expected
YES	• Conditional above 2,500 sq. ft. • Small lots • Some larger uses, in free-standing buildings or in adapted storefronts • Some parking available in the area • Active retail district	P - Possible Impact	• Could limit expansion of larger uses depending on outcome of conditional use; partly depends on how control affects adaptions of existing buildings for new uses • Most effect on type of merchandising; less comparison or convenience goods and more specialty shopping • Size of uses in district affected

CONTINUED

DISTRICT WORKSHEET III-2 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Square Footage Per Establishment

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	● Conditional above 2,500 or 5,000 sq. ft. ● Large lots ● Large existing buildings in district; generally with parking on site ● Good access to district; wide streets ● Active retail area with smaller scale uses as well	P - Possible Impact	● Could limit expansion of larger uses depending on outcome of conditional use ● May not significantly affect retail commercial activity if more smaller establishments instead ● Most effect on type of merchandising; less comparison or convenience goods ● Could also limit other large uses including office, institutional, or entertainment uses ● Size of uses in district affected.
YES	● Conditional above 2,500 or 5,000 sq. ft. ● Large lots ● Large existing buildings in district ● Possibly recent addition of larger establishments ● Larger office, institutional, or entertainment uses in district	S - Potential Significant Impact	● Could limit expansion of larger uses depending on outcome of conditional use ● Could have effect on amount of commercial activity if smaller scale uses less prevalent here ● Most effect on larger, free-standing retail, office, institutional or entertainment uses depending on character of the district ● Mix of uses in district affected

CONTINUED

DISTRICT WORKSHEET III-2 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Square Footage Per Establishment

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	• Conditional above 2,500 or 5,000 sq. ft. • Large lots • Large existing buildings • Wholesale, warehouse, automotive, furniture, or discount retail uses • Automobile-oriented land use pattern; wide streets • Low intensity development	S - Potential Significant Impact	• Could limit expansion of larger uses depending on outcome of conditional use; partly depends on how control affects new uses in existing buildings • Could have effect on amount of commercial activity • Most effect on larger uses of types listed under conditions

DISTRICT WORKSHEET III-3

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• No new commercial uses (retail, service or office) permitted on upper stories • Moderate to very active district • Existing upper story commercial uses • Most properties have two or more stories	S - Potential Significant Impact	• Less additional commercial activity in district • Effect on retail use generally limited to most active districts where some retail uses may already exist on upper stories • Fewer office and service uses in active districts where few location options exist on ground floor; signficantly fewer office and service uses in moderately active districts where retail demand could grow substantially • Higher rents and property values for existing upper story commercial; potentially also higher for ground floor space • Most effect on uses with less ability to pay higher rents • Less services available in district • Affects types and location of commercial uses in district
YES	• No new commercial uses permitted on upper stories • Few properties have more than one story and/or commercial demand in upper story space is weak	P - Possible Impact	• Limited upper story space diminishes overall effect on use mix in district

CONTINUED

DISTRICT WORKSHEET III-3 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	• No new retail uses permitted on upper stories • Many properties have two or more stories • Moderate to very active district • Existing upper story commercial uses • Other offices permitted as upper story commercial use	P - Possible Impact	• Less additional retail activity in only the most active districts; less increase in choice of retail goods • Greater competition for ground floor retail space; potentially higher rents and higher volume uses • More upper story locations for office and service uses in active districts • Limited effect in less active districts where retail demand for upper story space is weak
YES	• No new office uses permitted on upper stories • Moderate to very active district • Existing upper story commercial uses • Many properties have two or more stories	S - Potentially Significant Impact	• Fewer additional office uses in district • Greater competition for existing office locations; potentially higher rents • More effects if some existing upper story space is still in residential; however could affect changes in commercial uses over time even if already commercial • More upper story locations for retail and service uses; potentially some difficulty in differentiating office and service uses • Less competition for space for retail and service uses and potentially less or slower turnover of uses with replacement by higher volume establishments • Affects location of uses within the district and overall mix of types of uses there • Less total additional commercial activity, particularly in more active districts

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DISTRICT WORKSHEET III-3 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Vertical Mix Components

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	● No new personal service uses permitted on upper floors	S - Potentially Significant Impact	● Range of effects similar to previous item ● Magnitude of effects could be less
YES	● New offices permitted on upper stories if no housing is removed, conditional if housing is removed ● No new retail permitted on upper stories ● Moderate to very active district ● Existing upper story commercial uses ● Many properties have two or more stories	S - Potentially Significant Impact	● Would have less effect on commercial expansion than case above (where offices would not be permitted on upper stories) to extent that uses other than retail, office, and housing existed in the upper stories ● Range of effects would be similar to case above where offices would not be permitted although magnitude of effect could be less ● Could preserve existing housing ● Conditional review could allow some conversions thereby reducing magnitude of impacts

DISTRICT WORKSHEET III-4

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Financial Offices

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• Conditional use • Small scale district • Existing uses for local convenience shopping primarily	P - Possible Impact	• Could limit additional small local offices
YES	• Thresholds proposed; existing number equals or exceeds threshold • Active retail district; possibly recent increase in activity in district • Small lots • Financial office(s) already in district • Largely storefront uses with pedestrial access -------------or-------------- • Thresholds proposed; existing member equals or exceeds threshold • Large lots • Accessible district; wide streets • Active district; some freestanding and larger scale uses • Financial offices already in district • Square footage per establishments does not limit size	S - Potential Significant Impact	• Likely to limit additional financial offices • Central and corner locations where financial offices would have located would be available for other uses • Potentially more activity for existing financial offices in district, resulting in higher rents and higher property values • Potentially less choice of financial services in district • Potentially less upward pressure on rents for other uses although the effect probably offset by demand for retail uses • Effect on mix of commercial uses in district

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DISTRICT WORKSHEET III-4 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Financial Offices

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	● Conditional use ● Active retail district; possibly recent increase in activity in district ● Small lots ● Financial office(s) already in district ● Largely storefront uses with pedestrian access		● Likely to limit expansion in locations where financial offices would disrupt the pedestrian scale and continuity of foot traffic along storefronts ● Potentially more financial offices in existing storefronts and less new construction of freestanding buildings ● Possible effects on facade treatment and architecture ● Could limit additional number of financial offices ● To extent number of financial offices is limited, potentially more activity for existing ones in district; higher rents and higher property values for existing financial offices; less choice locally; more locations for other uses
	-----------or---------------	P - Possible Impact	
	● Conditional use ● Large lots ● Accessible district; wide streets ● Active district; some freestanding and larger scale uses ● Financial office already in district ● Square footage per establishments does not limit size		

DISTRICT WORKSHEET III-5

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Entertainment

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change	
YES	• Entertainment uses are conditional or not permitted • Small lots predominate • Existing entertainment uses in district • Poor access limited parking	P - Possible Impact	• Could limit expansion of entertainment uses in district • Impact could be greatest for amusement enterprises • Likelihood for additional movie theaters in these districts probably low, particularly where controls on square footage per establishment limit size • Could affect mix of uses in district; allow more space for other uses • Could limit increase in late evening activity and noise • Could limit increase in demand for on-street parking during evening
YES	• Entertainment uses are conditional or not permitted • Existing entertainment uses in district • Large lots predominate or mix of large and small lots • Good access, available parking • Controls on square footage per establishment do not limit size	S - Potential Significant Impact	• Likely to limit expansion of entertainment uses in district • Could affect mix and uses in district; allow more space for other uses • Could result in more retail and office uses • Could limit increase in late evening activity and noise • Could limit increase in demand for on-street parking during evening • Could limit increase in sales activity at eating and drinking establishments

DISTRICT WORKSHEET III-6

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Other Uses

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
NO	• If no change, no impact	NC - No Change In Control	
YES	• Other uses such as automotive, hotel-motel, animal services, wholesaling, light manufacturing, nursery, mortuary, utility, etc., are conditional or not permitted • Few or no such uses in district • Small lots predominate • Active retail district	N - No Impact Likely	• Demand for these uses is weak in most districts • Where demand exists, high rents or potential for conflicts with existing uses discourages locating there • Change in control not likely to significantly limit location options
YES	• Other uses such as automotive, hotel-motel, animal services, wholesaling, light manufacturing, nursery, mortuary, utility, etc., are conditional or not permitted • Many such uses now in district • Large lots predominate • Good access, parking available • Controls on square footage per establishment do not limit size	P - Possible Impact	• Could limit expansion of other uses in district • May not be significant demand for additional other uses in many districts, despite number of existing uses • Could affect mix of uses in district • Over time could result in more retail and office uses

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DISTRICT WORKSHEET III-6 (Continued)

QUESTION: Will Proposed Controls Have An Impact On The Type, Size, And Location of Commercial Uses?

ZONING CONTROL: Other Uses

DOES PROPOSED CONTROL REPRESENT A CHANGE?	CONDITIONS	IMPACT RATING	DISTRICT EFFECTS
YES	• Institutional uses such as hospitals, clinics, colleges, child care are conditional or not permitted • Large or small lot districts • Controls on square footage per establishment does not limit size • Existing institutional uses in district or nearby	P - Possible Impact	• Likely to limit additional institutional uses • Could affect number and mix of commercial uses in district • Could result in less additional demand for daytime on-street parking • Could result in more commercial activity, although net effect would depend on magnitude of potential sales from employees or patrons of institutions • Could affect pedestrian scale and facades in district

APPENDIX A

NEIGHBORHOOD COMMERCIAL DISTRICT CONTROLS

Neighborhood Commercial District Controls

(a) Uses are permitted in neighborhood commercial use districts as indicated by the following symbols:

P: Permitted as a principal use in this district.

C: Subject to approval by the City Planning Commission as a conditional use in this district as provided in Section 303 and Section 705.3 of this Code and in the applicable subsections of Section 703.

NP: Not permitted in this district.

(b) P when followed by a number and then C (e.g. $P \leq 10 > C$) means that the use is permitted as a principal use up to the specified number of uses and that uses above that number may be be permitted only as a conditional use.

(c) The numerical symbols, 1-, 2, and 3+ designate the permitted vertical mix in each of the neighborhood commercial district classifications as follows:

1-, Ground story and below
2, Second story , and
3+, Third story and above.

(d) The first column which appears in the table titled "Zoning Category " lists the zoning control categories. Definitions for each of these categories appear in Section 702. The second column on the following table, titled "Sub-section Number", lists the sub-section number of Section 702 in which the definition of the corresponding control may be found. These two columns shall be deemed to be a part of each separate neighborhood commercial district section.

(e) The controls applicable to the various neighborhood commercial districts are indicated in the respective columns for each district in the following table. Each district column represents a separate section of this Code.

(f) The following zoning controls and only the following controls, constitute quantitative standards as that term is used in Section 305 of this Code: Rear Yards; Open Space; Residential Off Street Parking; Commercial Off-Street Parking; Institutional Off-Street Parking; and Off-Street Freight Loading. Variances from the application of quantitative standards may be granted pursuant to the provisions of Section 305.

Zoning Category	Sub-§ No.	§ 707 C-1	§ 708 C-2	§ 709 C-M	§ 710 RC-1	§ 711 RC-2	§ 712 RC-3	§ 713 RC-4	§ 714 Union Street
BUILDING ENVELOPE									
Rear Yards	.2	Rear 25% of lot depth, but not less than 15', at residential levels only	Rear 25% of lot depth but not less than 15', at residential levels only	Rear 25% of lot depth but not less than 15', at residential levels only	Rear 25% of lot depth but not less than 15', at grade level and above	Rear 25% of lot depth but not less than 15', at residential levels only	Rear 25% lot depth but not less than 15', at residential levels only	Rear 25% of lot depth but not less than 15', at residential levels only	Rear 25% of lot depth but not less than 15', at residential levels only
Open Space	.3	Refer to § 135	Refer to § 135	Refer to § 135	Refer to § 135	Refer to § 135	Refer to § 135	Refer to § 135	Refer to § 135
Residential Off-Street Parking	.4	1 space per unit	1 space per unit	1 space per unit	1 space per unit	1 space per unit	1 space per unit	1 space per 4 units	1 space per unit
Commercial Off-Street Parking	.5	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151
Institutional Off-Street Parking	.6	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151	Refer to § 151
Off-Street Freight Loading	.7	Refer to § 152	Refer to § 152	Refer to § 152	Refer to § 152	Refer to § 152	Refer to § 152	Refer to § 152	Refer to § 152
Height	.8	Refer to Height Map	Refer to Height Map	Refer to Height Map	Refer to Height Map	Refer to Height Map	Refer to Height Map	Refer to Height Map	Refer to Height Map
Floor Area Ratio	.9	3.6 to 1 resid. units included	3.6 to 1 resid. units included	9.0 to 1 resid. units included	1.8 to 1 resid. units not included	1.8 to 1 resid. units not included	3.6 to 1 resid. units not included	4.8 to 1 resid. units not included	3.6 to 1 resid. units included
Square Footage per Establishment	.10	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	P $<$ 2500 sq.ft. C $>$ 2501 sq.ft.
Dwelling Unit Density	.11	Refer to § 215(a)	Refer to § 215(a)	Refer to § 215(a)	Refer to 209.1(i & m)	Refer to 209.1(j & m)	Refer to § 209.1(k & m)	Refer to § 209.1(l & m)	1 unit per 600 sq.ft.
Drive-Up Facility	.12	NP	P	P	NP	NP	NP	NP	NP
Outdoor Activity	.13	P	P	P	P	P	P	P	C
Accessory Parking	.14	P	P	P	P	P	P	P	C
GENERAL CHARACTERISTICS									
Street Trees	.20	Not Required	Not Required	Not Required	Required	Required	Required	Required	Not Required
General Advertising Sign	.21	NP	P	P	NP	NP	NP	NP	P
Projecting Business Sign	.22	P	P	P	NP	NP	NP	NP	P
Awning	.23	P	P	P	NP	NP	NP	NP	P

Zoning Category	Sub-§ No.	§ 707 C-1	§ 708 C-2	§ 709 C-M	§ 710 RC-1				§ 711 RC-2				§ 712 RC-3				§ 713 RC-4				§ 714 Union Street
		Stories	Stories	Stories	Stories				Stories				Stories				Stories				Stories
		All	All	All	All	1-	2	3+	All	1-	2	3+	All	1-	2	3+	All	1-	2	3+	All
RETAIL SALES AND PERSONAL SERVICES																					
Bar	.40	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P ≤ 8 > C
Full-Service Restaurant	.41	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P ≤ 30 > C
Self-Service Restaurant	.42	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P ≤ 10 > C
Take-Out Food Establishment	.43	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P ≤ 3 > C
Liquor Store	.44	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	C
Cabaret	.45	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	C
Movie Theater	.46	NP	P	P	NP					P	C	C		P	C	C		P	C	C	P
Amusement Enterprise	.47	NP	P	P	NP					P	C	C		P	C	C		P	C	C	C
Adult Entertainment Facility	.48	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Hotel	.49	P	P	P	C				C				C				C				C
Motel	.50	NP	P	P	NP				NP				NP				NP				P
Animal Clinic or Hospital	.51	NP	C	P	NP				NP				NP				NP				C
Kennel or Stable	.52	NP	NP	P	NP				NP				NP				NP				NP
Auto Station-Gas Only	.53	P	P	P	NP				NP				NP				NP				P
Auto - Minor Repair	.54	P	P	P	NP				NP				NP				NP				P
Auto - Body Repair	.55	NP	NP	C	NP				NP				NP				NP				NP
Automobile Wash	.56	NP	C	C	NP				NP				NP				NP				C
Tire Recapping Facility	.57	NP	NP	P	NP				NP				NP				NP				NP
Vehicle Sale	.58	NP	P	P	NP				NP				NP				NP				P
Lot for Vehicle Sale	.59	NP	C	P	NP				NP				NP				NP				C
Community Garage	.60	P	P	P	C				C				C				C				P
Parking Garage/Lot	.61	C	P	P	C				C				C				C				P

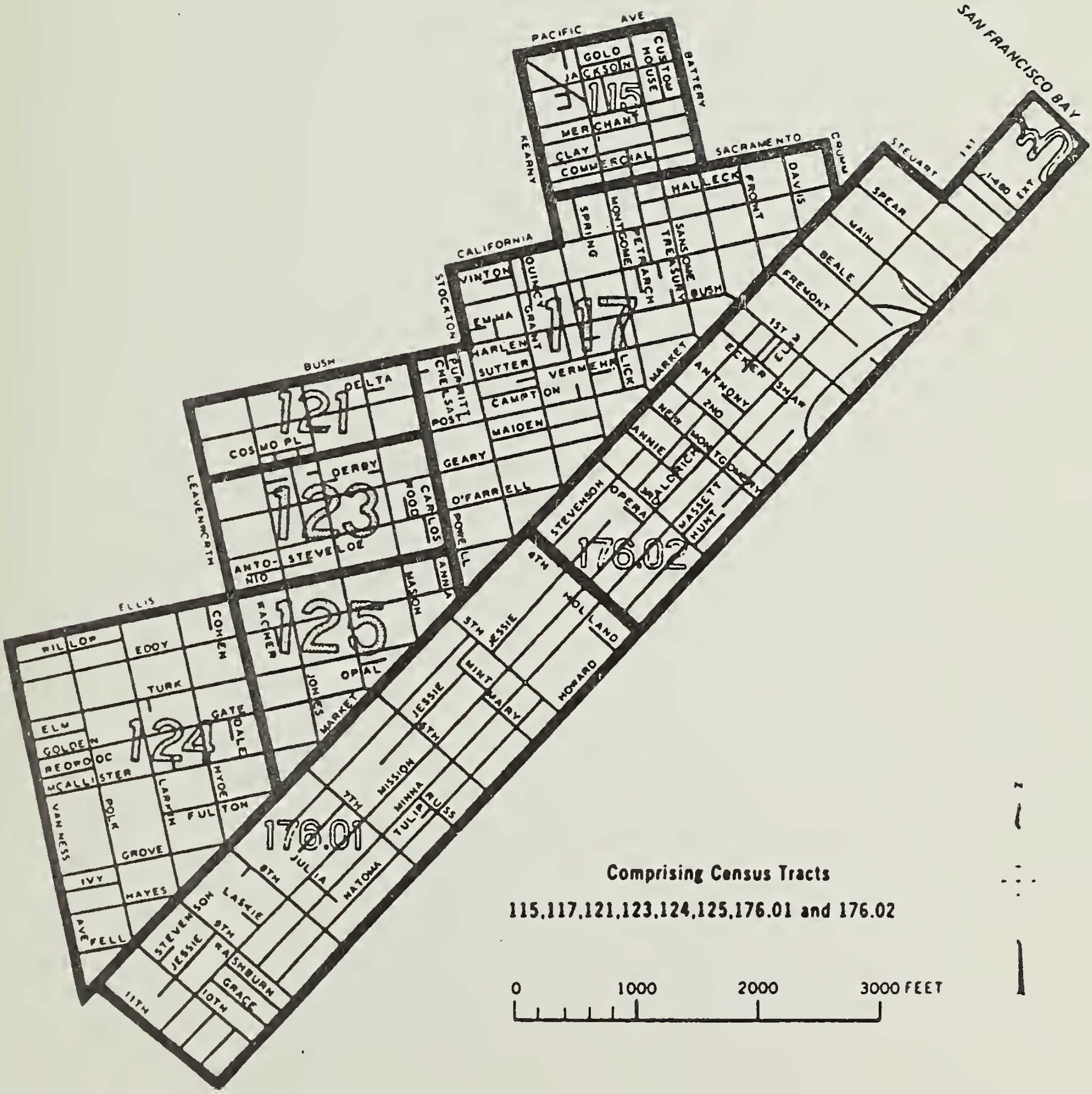
Zoning Category	Sub-§ No.	§ 707 C-1 Stories All	§ 708 C-2 Stories All	§ 709 C-M Stories All	§ 710 RC-1 Stories All	§ 710 RC-1 1-	§ 710 RC-1 2	§ 710 RC-1 3+	§ 711 RC-2 Stories All	§ 711 RC-2 1-	§ 711 RC-2 2	§ 711 RC-2 3+	§ 712 RC-3 Stories All	§ 712 RC-3 1-	§ 712 RC-3 2	§ 712 RC-3 3+	§ 713 RC-4 Stories All	§ 713 RC-4 1-	§ 713 RC-4 2	§ 713 RC-4 3+	§ 714 Union Street Stories All
Commercial Vehicle Storage	.62	NP	NP	P	NP				NP				NP				NP				NP
Parcel Delivery Service	.63	NP	C	P	NP				NP				NP				NP				C
Laundry/Off-Site Cleaning	.64	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
On-Site Dry Cleaning	.65	C	P	P		C	NP	NP		P	C	C		P	C	C		P	C	C	P
Trade Shop	.66	NP	P	P	NP					P	C	C		P	C	C		P	C	C	P
Other Retail/Service	.78	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
OFFICES																					
Financial Office	.80	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P ≤ 6 > C
Other Office	.81	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
MISCELLANEOUS OTHER USES																					
Assembly Facility	.90	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Greenhouse/Nursery	.91	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Truck Gardening	.92	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Ambulance Service	.93	NP	C	P	NP				NP				NP				NP				C
Mortuary Establishment	.94	NP	C	P	NP				NP				NP				NP				C
Public Structure	.95	P	P	P	P				P				P				P				P
Utility Installation	.96	P	P	P	C				C				C				C				P
Transportation, Transmission Facility	.97	C	C	C	NP				NP				NP				NP				C
Planned Unit Development	.98	C	C	C	C				C				C				C				C
WHOLESALING AND MANUFACTURING																					
Household Storage	.100	NP	C	P	NP				NP				NP				NP				C
Wholesaling, Light Manufacturing	.101	NP	NP	P	NP				NP				NP				NP				NP

Zoning Category	Sub-§ No.	§ 707 C-1	§ 708 C-2	§ 709 C-M	§ 710 RC-1				§ 711 RC-2				§ 712 RC-3				§ 713 RC-4				§ 714 Union Street
		Stories	Stories	Stories	Stories				Stories				Stories				Stories				Stories
		All	All	All	All	1-	2	3+	All	1-	2	3+	All	1-	2	3+	All	1-	2	3+	All
HOUSING																					
Dwelling Unit	.110	P	P	C	P				P				P				P				P
Group Housing	.111	P	P	C	P				P				P				P				P
INSTITUTIONS																					
Hospital, Medical Center	.120	C	C	C	C				C				C				C				C
Outpatient Facility	.121	P	P	P	C				C				C				C				P
Resid. Care Facility up to 6 persons	.122	P	P	P	P				P				P				P				P
Resid. Care Facility more than 6 persons	.123	P	P	P	C				C				C				C				P
Child-Care Facility up to 12 children	.124	P	P	P	P				P				P				P				P
Child-Care Facility 12 children	.125	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Schools	.126	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P
Industrial Arts School	.127	NP	NP	P	NP				NP				NP				NP				NP
Church/Philanthropic	.128	P	P	P		P	C	C		P	C	C		P	C	C		P	C	C	P

APPENDIX B

BOUNDARIES OF DOWNTOWN CBD AREA FROM CENSUS OF RETAIL TRADE

San Francisco
Central Business District



Comprising Census Tracts

115,117,121,123,124,125,176.01 and 176.02

APPENDIX C

DEVELOPMENT PROTOTYPES: EFFECTS OF CHANGED CONTROLS ON FEASIBILITY OF NEW CONSTRUCTION

DEVELOPMENT PROTOTYPES: TESTING OF EFFECTS OF CHANGED CONTROLS ON FEASIBILITY OF NEW CONSTRUCTION

A. APPROACH

Many of the conclusions regarding the effects of the proposed zoning controls on the feasibility of new construction are based on an assessment of the cost and revenues associated with new construction on a typical lot in a hypothetical neighborhood district. The analysis considered the implications of building costs, commercial rents, and housing values to identify how changing the zoning controls for neighborhood commercial districts could affect the feasibility of new construction.

Various combinations of land uses and building envelopes were used to test construction feasibility. The analysis assumed a typical 2,500-square-foot lot (25-feet wide, 100-feet deep). Building characteristics were based on current and proposed zoning. The analysis evaluated three land uses: retail on the ground floor, office on an upper story, and residential on an upper story. The analysis also evaluated three situations: new construction on a vacant lot, new construction on a site with an existing one-story building with ground floor retail, and new construction on a site with an existing two-story building with retail on the ground floor and housing on the second story.

B. CONCLUSIONS REGARDING NEW CONSTRUCTION ON A VACANT SITE

Analysis was first done to test the feasibility of new construction in a district with moderately active business activity and market demand. The assumptions regarding construction costs and rents and sales prices for the new uses are summarized in Table C-1.

TABLE C-1

COST AND REVENUE ASSUMPTIONS FOR TESTING DEVELOPMENT PROTOTYPES ON A VACANT SITE

USE	LEVEL	CONSTRUCTION COST (Per sq. ft.)	REVENUE	
			RENT (Per sq. ft.)	SALES PRICE (Per Unit)
RETAIL	GROUND	$60	$1.50/MONTH	---
OFFICE	UPPER STORY	$80	$1.25/MONTH	---
HOUSING	UPPER STORY	$100	---	$125,000

SOURCE: Recht Hausrath & Associates, July 1982

The analysis of development prototypes on a vacant site leads to several general conclusions related to the feasibility of new construction in neighborhood commercial districts:

- Ground floor and second story commercial development could cover their costs and provide a return to the developer. Ground floor retail provides a much larger return than second story office.
- Where off-street parking is required, residential development probably could not cover its costs. Parking requirements diminish the ability to provide ground floor retail in most neighborhood commercial districts.
- Without retail on the ground floor, housing prices would need to be higher than assumed here to provide a positive return to the developer. Required prices may be higher than attainable in most districts.
- Where off-street parking is not required, upper story housing could cover costs and provide a minor return to the developer. However, housing is likely to cover costs only in areas where condominiums could be sold in the range of the price assumed here. The construction of new rental housing is unlikely to be feasible under current market conditions.

- In a mixed-use project, the economic returns from ground floor retail would greatly exceed the returns from upper story commercial or housing. For the assumptions and prototypes evaluated here, second story office would generate returns equivalent to about 15 percent of the retail, and upper story housing would generate returns equal to about 4 percent of retail.

- Both upper story office and housing would make relatively small contributions to the feasibility of a new mixed-use development.

- In more active commercial areas, where demand for ground floor space is stronger and rents are higher than assumed for the prototypes, the disparity between the returns for ground floor and upper story space would be larger. Then, ground floor commercial use would represent an even greater share of a developer's returns from new construction.

In general, the analysis of the prototypes indicates: ground floor commercial use generates far greater returns than second story commercial or upper story housing; upper story uses make relatively small contributions to a development's overall return; and, where off-street parking is required for housing, new construction is likely to be infeasible.

The relationship between these characteristics and some of the possible changes to the zoning controls for neighborhood commercial districts is illustrated in Table C-2. The table provides an index of construction feasibility based on different assumptions affecting vertical mix, rear yard, and off-street parking controls. The combination of control alternatives in these zoning categories that results in the highest return (of the examples shown) is given a rating of 100. The returns for the other combinations are rated in relation to the highest.

Since the returns from new construction (expressed in the form of the index) are positive for all of the prototypes tested new construction would be feasible in all cases. In other words, given the assumptions, revenues would cover costs and provide some return to the developer/land owner. The larger the index, the greater the return and the more desirable the project represented by that prototype.

TABLE C-2

TESTING OF EFFECTS OF ZONING CONTROL CHANGES ON THE FEASIBILITY OF NEW CONSTRUCTION ON A VACANT SITE

Index of Construction Feasibility
100 = Highest Return

		REAR YARD NOT REQUIRED FOR COMMERCIAL; REQUIRED FOR HOUSING	REAR YARD REQUIRED FOR COMMERCIAL AND HOUSING
THREE-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial, Third Story Condominiums	100	76
	Second & Third Story Condominiums	91	71
TWO-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial	96	76
	Second Story Condominiums	88	67
THREE-STORY BUILDING: NO RETAIL, OFF-STREET PARKING			
	Parking on Ground Floor, Condominiums Above	9	9

Assumptions: Typical Small Lot (25-Foot Frontage, 100 Foot Depth)
Costs and Revenues shown in Table C-1

SOURCE: Recht Hausrath & Associates

Table C-2 shows that changes to prohibit second story commercial or to require rear yards for commercial floors would diminish the return from new construction. Prohibiting second story commercial would reduce the feasibility index by 7 to 9 percent for construction on a vacant site. For example, the index for the three-story building with no rear yard for commercial floors declines from 100 to 91 when second story commercial is prohibited, a drop of 9 percent. Requiring rear yards for commercial floors would have a greater effect on return. This change in zoning controls would reduce the index for the prototypes by 23 to 25 percent. For example, the index for the three-story building with two commercial floors declines from 100 to 76 when a rear yard is required for the commercial floors, a drop of 24 percent.

Table C-2 also illustrates a possible effect of changes in the off-street parking requirement for residential development. When parking is required (current zoning), the configuration of most small lots in neighborhood commercial districts necessitates the placement of the parking on the ground floor in place of commercial use. Unless access is available from the side or rear of the lot, the parking requirement effectively precludes ground floor commercial. This dramatically affects the return from new construction. When off-street parking is not required for buildings with four units or less (possible zoning control), the ground floor commercial provides most of the return from new construction. The magnitude of this effect can be seen in Table C-2 by comparing the feasibility index for the three-story building with ground floor parking and upper story housing to the index for any other prototype with no off-street parking and commercial on the ground floor. The development returns are seven to ten times greater when parking is not required and commercial occupies the ground floor space.

C. TESTING OF NEW CONSTRUCTION WHEN AN EXISTING BUILDING WOULD BE DEMOLISHED

It is much more difficult to generalize about the feasibility of new construction when it involves the demolition of an existing building. The results are affected by both the development costs and revenues for the uses in the new space, and the revenues foregone from the uses in the existing building that would be demolished.

Analysis was done of two possible situations: new construction on a site with an existing one-story building with ground floor retail (case 1), and new construction on a site with an existing two-story building with retail on the ground floor and housing on the second story (case 2). The assumptions for each case are presented in Table C-3.

For the new development, construction costs are the same as for the prototypes on vacant sites (see Table C-1). The revenues for upper story uses are also the same. Rents for ground floor retail space are assumed to be higher in this analysis ($2.00 instead of $1.50 per sq. ft.). Feasibility testing at the lower rents indicated that new construction in many situations would not be economically feasible if it required demolition of an existing building.

Like the case of new construction on a vacant site, the revenues from the new space must cover the costs of construction if the project is to be feasible. When existing space is demolished (for new construction) the revenues from the new space must also cover the costs of demolition and the revenues that are foregone because of demolition. The feasibility testing indicated that when demolition is required, two other variables are particularly important in determining if new construction would be feasible: the net addition of ground floor retail space and the difference in rents between the new and the existing space. Generally, new construction requiring demolition is feasible when it increases the amount of ground floor retail space and increases the rents for that retail space. New construction is generally not feasible when the space and/or the rents are not increased. The ground floor retail space is crucial to the feasibility of the new construction because of the higher rents it generates (as previously explained).

TABLE C-3

ASSUMPTIONS FOR TESTING FEASIBILITY
OF NEW CONSTRUCTION WHEN AN EXISTING
BUILDING WOULD BE DEMOLISHED

	CHARACTERISTICS OF USES TO BE DEMOLISHED	CHARACTERISTICS OF NEW DEVELOPMENT
CASE 1	• Single story building • Ground floor retail, 85% of lot rentable, $1.25/sq. ft./month rent	• Construction costs from Table C-2 • $2.00/sq. ft./month rent for ground floor retail • $1.25/sq. ft./month rent for second story office • Two housing units per story sold at $125,000/unit
CASE 2	• Two story building • Ground floor retail same as Case 1 • Second story housing at $500 per month rent	• Same as case 1

SOURCE: Recht Hausrath & Associates

1. Demolition Of A One-Story Building

Table C-4 presents the results of the feasibility testing of new construction under case 1. The index of feasibility shown in the table represents the ratio of the value of the new uses to the value of the

TABLE C-4

TESTING OF EFFECTS OF ZONING CONTROL CHANGES ON THE FEASIBILITY OF NEW CONSTRUCTION WHEN DEMOLITION IS REQUIRED

Case 1: Existing One Story Building
With Ground Floor Retail

Index of Construction Feasibility: Ratio of Value
of New Uses to Value Of Existing Uses*

		REAR YARD NOT REQUIRED FOR COMMERCIAL; REQUIRED FOR HOUSING	REAR YARD REQUIRED FOR COMMERCIAL AND HOUSING
THREE-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial, Third Story Condominiums	1.27	.96
	Second & Third Story Condominiums	1.20	.91
TWO-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial	1.24	.93
	Second Story Condominiums	1.17	.89
THREE-STORY BUILDING: NO RETAIL, OFF-STREET PARKING			
	Parking on Ground Floor, Condominiums Above	.07	.07

*New construction likely to be feasible when index is greater than one.

SOURCE: Recht Hausrath & Associates

existing uses. When the ratio is greater than one, new construction is feasible because the value of the new uses exceeds the value of the existing uses. If the ratio is less than one, the existing uses are more valuable and new construction would not be feasible.

The table shows that under the assumptions of the particular situation tested, the rear yard requirements would make a difference in whether new construction is feasible. As shown, the indices are greater than one where a rear yard is not required and less than one where it is required for commercial uses.

The table also shows that the vertical mix component affects the return from new development but does not affect whether new construction is feasible (index greater than one) under the assumptions of this case. As shown for the three story mixed use prototype, for example, the development of second story housing instead of commercial reduces the feasibility index from 1.27 to 1.20 (without a rear yard) or from .96 to .91 (with a rear yard). In the former situation, new construction would still be feasible while in the latter it would not be feasible in either case.

The off-street parking requirement for housing would make new construction infeasible (.07 compared to 1.17-1.27) when rear yards not required for commercial. When rear yards are required, new construction is unlikely to be feasible in any of the situations shown in Table C-4 so that a change in parking requirements alone would not affect whether new construction occurs.

2. Demolition of A Two-Story Building

Table C-5 presents the results of the feasibility testing of new construction under case 2. The main difference from case 1 is that the uses in the existing building under case 2 would generate more revenues because there are two stories instead of one.

TABLE C-5

TESTING OF EFFECTS OF ZONING CONTROL CHANGES ON THE FEASIBILITY OF NEW CONSTRUCTION WHEN DEMOLITION IS REQUIRED

Case 2: Existing Two Story Building
With Ground Floor Retail and
Upper Story Housing

Index of Construction Feasibility: Ratio of Value of New Uses to Value Of Existing Uses*

		REAR YARD NOT REQUIRED FOR COMMERCIAL; REQUIRED FOR HOUSING	REAR YARD REQUIRED FOR COMMERCIAL AND HOUSING
THREE-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial, Third Story Condominiums	.92	.69
	Second & Third Story Condominiums	.87	.66
TWO-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial	.90	.67
	Second Story Condominiums	.85	.64
THREE-STORY BUILDING: NO RETAIL, OFF-STREET PARKING			
	Parking on Ground Floor, Condominiums Above	.05	.05

---

*New construction likely to be feasible when index is greater than one.

SOURCE: Recht Hausrath & Associates

As shown in the table, new construction is not feasible under the assumptions of this case. Thus, changes in controls affecting vertical mix, rear yards, or residential off-street parking would not likely affect whether new construction occurs. It is unlikely to be feasible in any event. Changes in these controls could eventually affect new construction if rents for the new uses increased relative to construction costs or relative to the rents of the existing use.

Comparison between cases 1 and 2, indicates that it is difficult to generalize about whether new construction would be feasible in neighborhood districts when an existing building would be demolished and about how changes in zoning controls would affect feasibility.

3. Consideration of Housing Densities

Additional feasibility testing was done to consider how possible increases in housing densities could affect the feasibility of new construction. Increased densities were considered for case 1 and case 2 above.

Since projects with for-sale housing on small lots are not feasible if off-street parking is required, no more than four housing units would be built on a typical small lot if the parking requirement were waived for up to four units. Thus, increases in density would only be used to build up to four units on small lots.

In the cases above, it is possible to assume that four small dwelling units (about 400 sq. ft.) are built per floor rather than the two larger units (about 900 sq. ft.) assumed above. This change would increase the number of housing units built in those prototypes with one floor of housing. It would not increase the number of units in prototypes with two stories of housing since those prototypes already assume four units.

The housing sales prices would be lower on a per unit basis for the smaller units than the larger units. However, the prices are likely to be higher on a per sq. ft. basis for the smaller units. For the feasibility testing, a sales price of $70,000 was assumed for the smaller units (about $175/sq. ft.) compared to $125,000 for the larger units (about $140/ sq. ft.).

As a result of these changes in assumptions, it was concluded that an increase in housing density could enhance the feasibility of mixed use construction as long as the smaller units could be sold for the prices assumed here. Table C-6 identifies the feasibility indices for case 1 and case 2 prototypes assuming the changes in size and price of units described above. Comparisons with the indices in Tables C-4 and C-5 indicate the effect of these changes.

The following general conclusions can be drawn:

- Increasing density could result in new construction in some cases. The examples here indicate that this change would make a difference when a new building of two or three stories replaces a one-story structure or when a three story building replaces a two-story structure. Where new construction would require demolition of an existing two story building or higher, increased density may not result in new construction.
- Increased density would only benefit feasibility on small lots when it increases the number of permitted units up to four and where no off-street parking is required.
- There may be no benefits from increased density in certain cases where a rear yard is required for commercial uses.

TABLE C-6

CONSIDERATION OF THE EFFECTS OF CHANGING RESIDENTIAL DENSITY ON THE FEASIBILITY OF NEW CONSTRUCTION WHEN DEMOLITION IS REQUIRED

Comparisons To Case 1 (Table C-4)
and Case 2 (Table C-5)

Index of Construction Feasibility: Ratio of Value
of New Uses to Value Of Existing Uses*

		REAR YARD NOT REQUIRED FOR COMMERCIAL; REQUIRED FOR HOUSING	REAR YARD REQUIRED FOR COMMERCIAL AND HOUSING
THREE-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Commercial, Third Story Housing		
	Case 1	1.40	1.09
	Case 2	1.02	.79
TWO-STORY BUILDING: RETAIL ON GROUND FLOOR, NO OFF-STREET PARKING			
VERTICAL MIX	Second Story Condominiums		
	Case 1	1.31	1.02
	Case 2	.95	.74

*New construction likely to be feasible when index is greater than one.

SOURCE: Recht Hausrath & Associates

APPENDIX D

SUMMARY OF POTENTIAL ECONOMIC IMPACTS OF POSSIBLE CHANGES IN ZONING CONTROLS

FIGURE D-1

CONSIDERATION OF EFFECT OF POSSIBLE CHANGES IN ZONING CONTROLS ON THE ADDITION OF COMMERCIAL FLOOR SPACE

Through Effect on Feasibility of New Commercial Development, of Conversions to Commercial Use, or of Expansion of Commercial Space In Individual Districts

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL SPACE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON AMOUNT OF COMMERCIAL FLOOR SPACE
Vertical Mix	● Determines if conversions from residential to commercial uses are allowed. ● Determines how much newly developed retail and office space is permitted by identifying permitted activities by level of building.	● Could limit the addition of commercial space on upper stories. Could also permit upper story commercial uses in areas where they are not currently permitted. ● Within commercial, potentially more effect on office space than retail space.	Potentially very significant.
Rear Yards	● Affects amount of commercial space which can be added through new development or expansion of existing space, by specifying requirements for site area devoted to rear yards.	● Could limit the addition of commercial space, particularly at grade.	Potentially significant.

Continued

Continued

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL SPACE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON AMOUNT OF COMMERCIAL FLOOR SPACE
Square Footage per Establishment	● Determines whether large spaces, perhaps for one major tenant, could be built.	● Does not necessarily affect overall amount of commercial space. ● Could favor smaller establishments over larger space users. ● Could result in greater number of establishments in the same total amount of space. ● Could limit overall amount of commercial space if larger space users are not allowed and demand for smaller tenants is limited. ● Could result in greater amount of commercial space if demand for smaller spaces is strong.	Uncertain.
Residential Density and Residential Off-Street Parking	● Could affect amount of commercial space by enhancing feasibility of residential development relative to commercial development; particularly where commercial demand is weaker.	● Enhanced residential feasibility is unlikely to be at expense of commercial.	Not significant.

Continued

Continued

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL SPACE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON AMOUNT OF COMMERCIAL FLOOR SPACE
Permitted Uses	● Controls on certain uses could affect amount of commercial space.	● Limits on non-commercial uses (institutions, hotels/motels, manufacturing, wholesaling, etc.) could result in more commercial space if demand for commerical space is strong. ● Limits on certain commercial uses could result in less overall commercial space if demand for permitted uses is weak.	Probably not significant

FIGURE D-2
GENERAL ECONOMIC IMPLICATIONS OF EFFECTS OF POSSIBLE CHANGES IN CONTROLS ON THE ADDITION OF COMMERCIAL FLOOR SPACE

A. POTENTIAL CUMULATIVE EFFECTS OF LIMITS ON ABILITY TO EXPAND SPACE IN ONE OR MORE COMMERCIAL DISTRICTS

- Shifts in demand among commercial districts may occur so that:
  - Some districts have less commercial space than they would have had; and
  - Some districts will have more commercial space than they might have had.

  Shifts could occur within neighborhood commercial districts (NCDs), and among NCDs and other city commercial areas.
- Some districts may not be significantly affected.
- It is not possible to generalize as to the overall effect on total commercial space city-wide without evaluating proposed controls for specific NCDs.

B. POTENTIAL ECONOMIC IMPLICATIONS ON DISTRICTS

1. Districts Where Rezoning Limits Addition of Commercial Space and Market Support Remains Strong

- These are ones where changes in zoning controls result in less increase in commercial space than would have occurred without such changes. These probably will be areas where there is physical ability to expand (vacant sites, second story non-commercial space, ground floor not so intensely developed) and where market support is strong and on the upswing (rents and activity increasing, commercial space recently added, possibly recent changes in tenants).
- To the extent that less space is added, strong demand for a smaller supply of space could result in more competition for existing space and overall higher rents than might have existed. Competition for available space and resultant rent levels would be affected by controls on permitted uses (discussed separately) and by the ability to shift demand to other areas (see cumulative effects).

Continued

B. POTENTIAL ECONOMIC IMPLICATIONS ON DISTRICTS continued

- Less ability to add commercial space could reduce land values, particularly on vacant or underdeveloped sites. Higher rents could offset reduced land value from less building envelope.
- Higher rents could mean more commercial activity per square foot of space. Thus, difference in activity as a result of changes in controls could be less than the difference in amount of commercial space. This would apply to an individual district or cumulatively citywide.
- Higher rents could increase the cost of doing business to extent that rents are not offset by increased business.
- Impact on commercial space (separate from impact of permitted use controls) could affect the mix of uses in a district. Lower volume uses and those with less ability to pay rents would have greater difficulty securing space. It is not possible to generalize as to which types of uses in terms of goods sold or markets served.
- Employment likely to be affected in the same way as the volume of commercial activity. Greater sales per sq. ft. could mean greater employment per sq. ft. although less total commercial space would probably result in less total employment.

2. Districts Where Rezoning Limits Addition of Commercial Space and Market Support Is Diminished

- These are districts where less commercial expansion results in a less desirable market situation than if more space had been added. These could be districts just beginning to be upgraded and expanded and which may not "take-off" or get to a minimum size because of changes in zoning.
- The consequences of not "taking-off" could be a loss of some existing commercial activity to other, growing districts.
- Less growth could mean lower activity, lower rents, lower land values, and less employment than might have otherwise occurred.

Continued

B. POTENTIAL ECONOMIC IMPLICATIONS ON DISTRICTS continued

3. Districts To Which Commercial Demand Shifts

- These are ones where controls could result in more commercial space than might have been added without the controls.
- Less expansion of space in other districts could shift demand to areas with greater potential to add space or with lower relative rent structures and demand pressures. Extent to which this occurs depends on types of activities (use, market served, type of tenant, etc.) and substitutability of available options.
- Depending on extent of shifts and availability of space, rents and land values could be higher than they might have been, activity levels and employment could also be greater, and use mix changed in these areas.

FIGURE D-3

CONSIDERATION OF EFFECT OF POSSIBLE CHANGES IN ZONING CONTROLS ON TYPES OF USES AND MIX OF COMMERCIAL ACTIVITIES

Through Effect on Use of Available Commercial Space In Individual Districts

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL USE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON COMMERCIAL USES
Permitted Uses	● For each district, identifies whether various commercial uses are: -Permitted; -Permitted up to a density threshold; -Might be permitted depending on review for compatibility with surrounding community; or -Not permitted.	● Could limit the following uses: -Eating and drinking establishments; -Financial offices; -Entertainment establishments; -Other (hotel/motel, animal services, automotive, laundering and cleaning, institutions, assembly, manufacturing and wholesaling, trade shops). ● Could result in more space available for small shop retail sales and personal service uses. ● Resultant mix of uses in available space could be different to extent the above effects occur.	Potentially significant.

Continued

Continued

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL USE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON COMMERCIAL USES
Square Footage per Establishment	● Affects permitted commercial uses based on evaluation of square footage per establishment.	● Space available for large space users could be limited; smaller space users could have more options. ● Larger space users tend to include convenience retail (groceries, drug, variety), discount retail, furniture (new and used), wholesale/warehouse, office, institutional, entertainment, automotive, and other uses (although these uses also occur in small spaces). ● Smaller space users tend to include specialty retail and personal services. ● Restaurants and bars could fall in either category. ● Differences among space-using categories relate to type of merchandising as well as type of goods sold and price.	Potentially significant.

Continued

Continued

ZONING CATEGORIES WITH POTENTIAL IMPACTS	POTENTIAL EFFECT ON COMMERCIAL USE FROM CHANGE IN CONTROLS	POTENTIAL SIGNIFICANCE OF IMPACT	RELATIVE OVERALL IMPORTANCE OF EFFECT ON COMMERCIAL USES
Vertical Mix	• Affects use of commercial space by specifying type of use permitted by level of building.	• Could limit the use of commercial space by either office or retail uses. • More significant effect could be on whether commercial use is allowed at all (i.e. on the amount of commercial space) than on the type of commercial use for the space (i.e. office or retail). • Most effect could be in terms of whether office is permitted on upper stories since retail demands focus primarily on ground floor space.	Probably not of major significance.
Drive-Up Facilities	• Identifies whether allowed or not.	• Could limit the location of these facilities in many neighborhood commercial districts. • Does not necessarily limit certain types of goods and services; basically affects the type of retailing (i.e. could be walk-in rather than drive-through).	Probably not of major significance.

FIGURE D-4

GENERAL ECONOMIC IMPLICATIONS OF EFFECTS OF POSSIBLE CHANGES IN CONTROLS ON TYPES AND MIX OF COMMERCIAL USES

A. POTENTIAL CUMULATIVE EFFECTS OF DIFFERENT MIX OF USES IN ONE OR MORE COMMERCIAL DISTRICTS

- Shifts in uses among commercial districts may occur so that:
  - -Some districts have more growth of some uses (small shop retail and personal services), and less increase of other uses (eating and drinking, financial and other offices, entertainment, etc.); and
  - -Some districts have more overall commercial activity because of shifts there by certain uses (eating and drinking, offices, financial offices, entertainment, etc.).
- Other shifts among commercial districts may also occur so that there are effects on the scale of uses in commercial districts:
  - -Some districts could have more smaller-scale uses than might have existed (often more specialty retail oriented); and
  - -Some districts could have more larger-scale uses.
- Some districts may not be significantly affected.
- It is not possible to generalize as to the overall effect on the mix of commercial uses citywide without evaluating proposed controls for specific districts. Of importance will be the number and characteristics of large scale, highly accessible districts where most uses are permitted. The overall effect also depends on the availability and acceptability of locations outside neighborhood commercial districts. For example, shifts to the downtown area potentially could occur for some office, entertainment, and eating and drinking uses. Industrial area locations might offer potentials for larger space users less concerned about patron accessibility.

B. POTENTIAL ECONOMIC IMPLICATIONS ON DISTRICTS

1. Small and Medium Scale Districts with Strong Market Support

- These are ones where control changes would be more likely to limit some uses, thereby increasing the options for other uses.
- For uses that are limited in districts which continue to remain desirable, existing uses of similar type could become more valuable than they might have been. Increased competition

Continued

B. POTENTIAL ECONOMIC IMPLICATIONS ON DISTRICTS continued

for limited locations in a district could result in higher rent-paying, possibly higher volume, tenants. If so, the type of tenant (within a use category) could be affected. These effects are unlikely to "spill over" to other uses in the district (given the nature of the controls). The extent of such effects depends on how the controls work in practice and on the ability to shift demand to other areas (see cumulative effects).

- For uses which are not limited, more options could exist for locations within a district than might have been available. This effect could result in less demand pressures for space, less upward pressure on rents, and less replacement of lower volume tenants by higher rent payers. This outcome also depends on the effect of controls on the amount of commercial floor space in the district.
- Overall, physical scale of individual uses could be smaller (although activity levels would not necessarily be lower).

2. Large Scale Districts

- These are ones where most uses are likely to be permitted and where controls could result in shifts in uses and more commercial activity than might have existed without changes in controls.
- Limits on uses in other districts could shift demand to these districts depending on the availability of space and the desirability of locations.
- Depending on extent of shifts, rents could be higher than they might have been, activity levels greater, and use mix changed in these areas. Overall, physical scale of individual uses could be larger.

3. Small and Medium Scale Districts With Weaker Market Support

- These are ones where changes in use controls are less likely to limit uses.
- Shifts of uses from other districts could result in more commercial activity in these districts than might have existed without the controls. Extent to which this occurs depends on substitutability of available options.
- Depending on extent of shifts and availability of space, rents could be higher than they might have been, activity levels could be higher and use mix affected in these areas.